

FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>

MONDAY MAY 4 1998



Corporate diversity
Fashionable label,
old fashioned practice
Lucy Kellaway, Page 7



Blood clot drugs
From pig offal
to gene splicing
Inside Track, Page 8



Raymond Gilmartin
Merck's 'nice guy'
didn't come last
Profile, Page 7

Class of '69
Berkeley MBAs
look back
Page 10

WORLD NEWS

US government attacks European proposals to control airline alliances

The US government has told Karel Van Miert, the European Union competition commissioner, that his proposals for regulating transatlantic air alliances would reduce competition and increase fares. Page 16

End in sight for Danish strike
Hopes of an end to the week-long national strike in Denmark rose after employers and union leaders called in the state industrial relations arbitrator. Page 4

Israel talks in test Washington
Washington's commitment to the Middle East peace process will be tested in London today when Madeleine Albright, US secretary of state, holds talks separately with Israeli and Palestinian leaders. Page 16

Martin Bormann's body identified
A body unearthed on a Berlin building site over 20 years ago has been identified by DNA tests as being that of Martin Bormann, Adolf Hitler's right-hand man. Page 16

Clinton faces more IMF obstacles
US President Bill Clinton's attempt to get congressional approval of a \$17.8bn contribution to the International Monetary Fund has run into obstacles among the bill's Democratic supporters in the House of Representatives. Page 4

HK protest over copyright listing
Hong Kong has protested against a decision by the US to keep the territory on its intellectual copyright watch list, despite recent high-profile steps to crack down on piracy. Page 5

East could widen pay differentials
Employment reforms likely to follow the launch of the single currency could increase pay differentials in countries joining European economic and monetary union, according to research about to be published. Page 3

World Bank in hot water over dam
A row is brewing over an apparent attempt by the World Bank to play down a critical report from its internal inspection panel about the harmful effect on local communities of a Latin American dam it helped finance. Page 4

Venezuela calls for restructuring
Venezuelan central bank officials are calling for a restructuring of the country's foreign debt payments and are studying a new package of monetary and fiscal measures, amid growing capital flight. Page 4

UK faces gun embargo inquiry
The government's ethical foreign policy focus an awkward test in the inquiry into allegations that UK arms were sold to Sierra Leone in defiance of a United Nations embargo, but with the aim of helping restore democracy. Page 6

Brazil reforms exchange policy
Brazil has initiated a substantial change in its exchange rate policy by widening the narrow band in which its currency, the Real, trades against the US dollar. Page 4

Leuven shut after theft
Police closed the Louvre museum in Paris and conducted body searches of visitors following the theft of a landscape painting by French artist Gamille Corot. Page 16

BUSINESS NEWS

Vickers holds talks with Ford over Cosworth engines group sought by VW

Vickers, UK engineering group planning to sell Rolls-Royce Motor Cars to carmaker BMW of Germany for £240m, has talked to Ford about a possible partnership with Vickers' Cosworth specialist engines group, which makes engines for Ford's racing business. BMW does not want to buy Cosworth, but Volkswagen of Germany hopes to buy all or part of it as part of a rival bid for Rolls-Royce Motors. Page 17; Rover changes gear, Page 18

Swiss Re and Zurich Group
Switzerland's top insurance companies, reported sharp rises in annual profits, helped by low investment gains and low insurance claims. Page 20; Executives quit Zurich Group, Page 21

Général de Banque, Belgium's
biggest bank, will hold a meeting today on plans for a merger with Fortis, Belgio-Dutch financial services group. Page 20

Scania Swedish heavy truck maker
plans an administrative overhaul in a bid to raise its international market share. Page 15

Thyssen Production Systems
machine tool arm of the German engineering and steel group, is spending \$100m on a new family of tool systems. Page 19

Amsterdam stock exchange
is to relax its listing rules to enable it to provide a base for capital-intensive international projects and compete better with other markets. Page 20

American Express, US financial
services group, is to acquire accountancy firms in several US cities as part of a big expansion into the sector. Page 17

Caterpillar, US earthmoving
equipment maker, is to produce combine harvesters at a plant in Serpy County, Nebraska, in a deal with German agricultural equipment supplier Claas. Page 21

Clear Channel, US group whose
\$446m (\$745m) agreed bid for UK outdoor advertising company More Group was topped by Deccaux of France, extended the timetable for accepting its bid. Page 18

Nationwide, the UK's largest
building society, plans to use the internet as a low-cost way of expanding into continental Europe. Page 18

Inchcape, diversified trading
company which is splitting into three parts, is understood to have received expressions of interest in its Latin American bottling operation from Chilean rivals. Page 18

Metro Resources, UK oil and gas
management company, is to roll up its production partnerships through an all-share offer and seek a full listing. Page 18

LucasVarity, Anglo-American car
parts group, was named company of the year among General Motors' 30,000 suppliers. Page 19

World Equity Markets

The latest trends and data from more than 50 national markets at a glance
Page 31

EU deal puts single currency to test

Fears that interest rates will rise after weekend compromise on European Central Bank job

By Lionel Barber and Wolfgang Münch in Brussels and Robert Gault in London

Europe's single currency faces a critical test of credibility this week after a bruising weekend compromise over the appointment of Wim Duisenberg as president of the European central bank.

Financial markets will scrutinise reaction to the deal which involves Mr Duisenberg, the 62-year-old Dutch central banker, "voluntarily" stepping down around half-way through his eight-year term.

Several analysts said yesterday that the impression of political interference could encourage European central bankers to assert their independence and raise interest rates.

Markets will also be watching the fall-out in Germany where

the opposition Social Democrat party denounced the compromise as a breach of the Maastricht treaty, which guarantees an eight-year non-renewable mandate.

Hans-Olaf Henkel, president of the Federation of German Industry, called the deal a "you compromise". He added: "The envisaged job sharing casts a shadow over the much-vaunted central bank independence."

Jose Maria Gil-Robles, president of the European Parliament, which will hold confirmation hearings on the presidency and five other ECB board appointees at the end of the week, also condemned the deal as violating the spirit of the treaty.

Helmut Kohl, the German chancellor, insisted that Mr Duisenberg was the best candidate and the treaty remained intact. A summit deadlock would have

created uncertainty in the financial markets, he added. However, one of Mr Kohl's top economic advisers attacked the deal yesterday. "This is not a great start," said Juergen Dönges, a member of the German government's council of economic advisers.

Mr Chirac precipitated the crisis late last year by nominating Jean-Claude Trichet, governor of the Bank of France, for the ECB job. But he failed to obtain a precise date for Mr Duisenberg's departure and only a political commitment that Mr Trichet would be successor.

Under the deal, Mr Duisenberg

made a declaration in front of the 15 heads of government of the EU that he would stay "at least" to see through the transition arrangements for the introduction of euro notes and coins which is due to be completed by July 1 2002.

He declared the decision to take early retirement was his alone and cited his age as the reason.

EU leaders appointed five other executive board members whose qualifications and expertise won immediate applause among analysts and central bankers.

The key post of chief economist seems certain to go to Oskar Issing, the senior Bundesbank executive. Mr Issing will serve a full eight-year term, which analysts said should boost confidence in the Frankfurt-based ECB.

Alison Cottrell, international

economist at PaineWebber, the US broker, said: "You have a central bank which is likely to assert itself. That all adds up to a strong euro."

Some analysts thought monetary officials would seek to shore up their credibility with a co-ordinated interest rate increase in the core European economies, perhaps before the German elections in September.

The deal "if anything hastens higher interest rates", said Darren Williams at SBC Warburg Dillon Reed.

Kim Schoenholtz, chief economist at Salomon Smith Barney, disagreed. "Policymakers will not want to be seen overreacting," he said.

"The deal will delay the credibility of the ECB, not derail it," argued Avinash Persaud, currency economist with JP Morgan in London.

Chirac laughs off suggestions of farce

French president says no quarrels during ECB deal

By Lionel Barber and Robert Graham

They were not the sort of words normally associated with historic decisions: "Do not laugh."

But that is what President Jacques Chirac of France felt he had to say to journalists who had just heard him trying to defend the deal on the appointment of the president of the European Central Bank.

It was in the early hours and Mr Chirac and Chancellor Helmut Kohl of Germany were briefing reporters on the marathon summit.

The reporters were being told that Wim Duisenberg, the Dutchman, had "voluntarily" decided to serve a shortened term as ECB president to make way for Jean-Claude Trichet, governor of the Bank of France.

Mr Chirac said there was "no reason" for their laughter.

Mr Kohl, who admitted to having been in a "dog-fight" with the French president over the terms of Mr Duisenberg's early departure, ploughed on regardless.

German journalists were notably hostile. Some claimed the deal violated the Maastricht treaty, others accused Mr Kohl of being too soft



A hands-on relationship: Wim Duisenberg, left, is congratulated by Jean-Claude Trichet after the ECB deal was announced yesterday

Picture: Reuters

PowerGen in merger talks with Houston

By Andrew Edgecliffe-Johnson

PowerGen, the UK's second largest generator, has begun detailed merger talks with Houston Industries of the US, which could create a £10bn (\$16.7bn) group and meet each company's transatlantic ambitions.

Advisers are believed to have found ways over two significant hurdles: the difficulty of retaining both companies' stock market listings in their home markets, and the US law preventing non-US companies from holding nuclear assets such as Houston's nuclear generating plants.

Ed Wallis, PowerGen's chairman, was on holiday in France yesterday, apparently confirming that no deal is imminent. However, both groups' advisers will be watching PowerGen's share price closely when trading resumes on Tuesday to see whether a stock exchange announcement is necessary.

Neither company would comment yesterday, but it is understood that the talks are still several weeks from completion.

News of the talks with Houston comes days after market speculation that PacificCorp, the frustrated bidder in the race for Energy Group, may seek a deal with PowerGen instead.

It is believed that JP Morgan and Merrill Lynch are advising Houston, and that they are attempting to structure the planned merger to allow Power-

Gen to retain its FTSE 100 listing and to enable Houston to keep its place in the Standard & Poor's 500 index.

Previous attempts to retain two listings for a merged US and UK company have fallen down on the risk that the merged entity could end up paying tax twice.

The restrictions on foreign groups owning US nuclear assets are also thought to be surmountable, but it is not yet clear whether Houston would have to dispose of its nuclear generating plant for the deal to succeed.

Houston is known to have researched the UK electricity market thoroughly, having walked away from a £1.74bn bid for Norwest when its offer was trumped by North West Water in October 1996.

Like many US utilities, it is keen to learn from the UK's experience of competition to prepare for deregulation in the US market. It is not yet known how Don Jordan, Houston's long-standing chairman, would divide responsibilities with Mr Wallis.

PowerGen has also been eager to form a vertically integrated power group by acquiring a regional electricity company in the UK, but its attempt to buy Midlands Electricity was blocked by the last government.

It is unclear how a merger between PowerGen and Houston would affect their chances of buying a regional electricity supplier.

with the French and of "playing tricks" with the terms of monetary union. One prominent German television journalist said: "We have a saying in German: *in Geldsachen sachlich* (Don't mess with money)."

The French president sought to

protect Mr Kohl from the fall-out of the row, saying: "This was not a Franco-German quarrel but a Franco-Dutch problem."

This convinced no one as Kohl had already said how tough the meeting had been.

Despite the best efforts of his daughter, Claude, who works as

his image consultant, Mr Chirac put on a stumbling, irritated performance.

Justifying the need for a Frenchman to head the ECB, he said: "One has to defend one's own interests - we are in a system of Europe of nations where each nation defends its inter-

ests." This statement prompted

Commitment and vision in emerging technologies

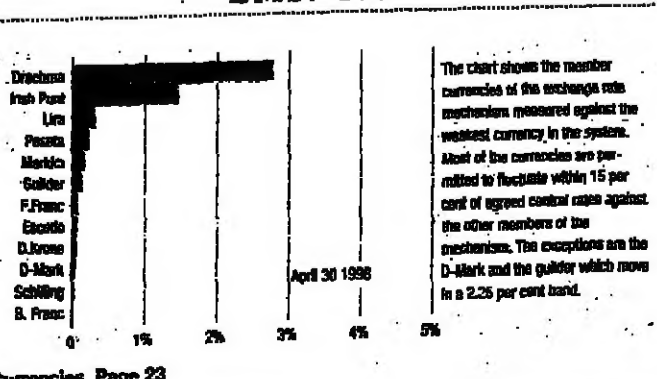
The future of global telecommunications is being challenged by new technologies such as Voice-over-Internet • WAP • Price Waterhouse, a team of emerging technology specialists delivers long-term vision and a full range of corporate advice, backed by leading-edge industry knowledge • Our latest assignment?

We're sole corporate finance advisor to DEMON on its acquisition of Scottish Telecom • For further information on our ISP and emerging telecommunications team contact: Chris Hemmings or Olivier Castagne@Europe.notes, pw.com. Or phone Olivier Castagne on +44 171 939 3000

Birth of the euro

NEW FT STATISTICS
Tomorrow's FT will start daily coverage of key financial statistics relating to the birth of the euro. The paper will also include a four-page guide to the new service.

EMS: GRID



Currencies, Page 23

© THE FINANCIAL TIMES LIMITED 1998 No.33,589

London • Leeds • Paris • Frankfurt • Stockholm • Milan • Madrid • New York

Los Angeles • Tokyo • Hong Kong

Index	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Deutsche Mark	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
French Franc	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Italian Lira	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Spanish Peseta	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
British Pound	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Dutch Guilder	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Swiss Franc	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Japanese Yen	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Hong Kong Dollar	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

CONTENTS

World News 4,5 UK News 6
Features 7-10 Comment & Analysis 14,15
Companies & Finance 17-21 World Stock Markets 29-31

Full contents and Lac back page

Price Waterhouse
www.pw.com/emc

In the UK Price Waterhouse of No.1 London Bridge, London SE1 9OL
is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

WORLD NEWS

EUROPEAN MONETARY UNION

ECB LAUNCH PLANS EXECUTIVE MEMBERS NAMED

Central Bank board to make an early start

By Wolfgang Münchau in Brussels

The European Central Bank will be formally set up later this month, several weeks earlier than originally expected, according to a senior European monetary official. The timetable has been moved forward to allow the ECB to clear the backlog of decisions needed to ensure that economic and monetary union can start on schedule next year. The backlog arose out of the long delay in the appointment of Wim Duisenberg as president.

The ECB is to hold its first council meeting on June 2 to be attended by the six members of its executive board and the 11 central bank governors of the countries participating in Emu. The board will allocate the key internal jobs. Officials indicated that the ECB might then also determine its monetary policy strategy. The decisions emerged after the weekend summit at which EU leaders named the countries adopting the euro.



Issing (left) becomes chief economist; Hamalainen (centre) and Noyer are also on the board

(Emu), the Frankfurt-based predecessor of the ECB, last summer. Oskar Issing, a member of the Bundesbank's executive board, is to become chief economist of the ECB. As the only member of the board to be appointed for a full and unambiguous eight-year term, Mr Issing, 62, is widely expected to emerge as the single most dominant figure in the ECB's power structure. A highly respected academic and central banker, Mr Issing holds no political affiliation.

Wim Duisenberg, 62, has also been formally appointed for an eight-year term. But his "voluntary" declaration that he intends to step down after the transitional arrangements for the introduction of euro banknotes and coins sends a strong signal that he will serve a term of approximately four years.

Formerly Dutch finance minister and governor of the Dutch central bank, he took over as president of the European Monetary Institute

of the Delors committee, which drew up the blueprint for Emu in the late 1980s.

Sirkka Hamalainen, 58, governor of the Bank of Finland, has been appointed to a five-year term. The only woman on the ECB's board, she has a reputation as one of the toughest central bankers in Europe. She had also been considered a potential candidate for the top job if EU leaders had failed to nominate Mr Duisenberg.

The least known appointee is Eugenio Domingo Solans, 32, a board member of the Bank of Spain, who will sit for six years. He was previously a professor of public finance in Spain.

Under the Maastricht treaty, all appointments are non-renewable. EU leaders also agreed at the summit that Mr Duisenberg's successor would be a French national. They "noted" that President Jacques Chirac had formally proposed Jean-Claude Trichet, governor of the Bank of France, for this job. Mr Trichet is expected to remain in

his current job for the next four years.

The six appointees to the board are to appear at the European Parliament in Brussels for nomination hearings on Thursday and Friday. They have been arranged so that Mr Duisenberg is to testify last. The parliament has no formal right of veto, but Mr Duisenberg has indicated that he would not serve if it voted against his appointment.

Among the most difficult questions Mr Duisenberg will have to answer are whether he was pushed to make his statement, whether he drafted the statement himself or whether it was drafted on his behalf, and why he accepted an eight-year term of office in the full knowledge that he would not last to the end.

After the parliamentary vote, EU heads of state will formally nominate the board. The nomination will automatically trigger the transformation of the Emu into the ECB.

THE DUTCH

Unhappy deal gives further twist to election

By Gordon Cramb in Amsterdam

The truncated term secured at the European Central Bank for Wim Duisenberg, the Netherlands' former central bank governor, creates difficulties for the Dutch government in the final stage of campaigning for elections on Wednesday.

Wim Kok, prime minister, presented the deal under which Mr Duisenberg will leave the post about halfway through his official eight-year term as a "successor". But the Christian Democrat CDA, the main opposition party, said the reverse was true, and demanded debate on the issue in parliament.

Frits Bolkestein, leader of the free-market VVD party - main coalition partner of Mr Kok's Social Democrat PvdA - denounced the arrangement as in conflict with the EU's 1992 Maastricht treaty.

In a TV interview Mr Bolkestein avoided putting direct blame on Mr Kok. That would be difficult, as Gerrit Zalm, the VVD finance minister, has been as involved as any in the tortuous negotiations on the post.

Instead the party leader, the most strongly Eurosceptic voice in mainstream Dutch politics, expressed disappointment that Germany's chancellor, Helmut Kohl, yielded to French pressure.

Mr Bolkestein has become alarmed both at the size of the euro-zone and the political influences being brought to bear on how it will operate. But like most, he sees little alternative for the Netherlands, which derives its prosperity largely from trade within Europe.

The VVD, which has won domestic support for its advocacy of sound state finances, enters election week behind the PvdA in the polls, although both parties stand to gain a handful of seats. Together they could muster a majority in the lower house without the reformist D66, the waning third member of the government formed in 1994. D66 is projected to lose more than half its electoral backing.

While each of the three says that renewing the current coalition is the favoured option, they do not rule out other permutations. Chief among these would be an alliance between the PvdA and the CDA, its senior coalition partner in successive cabinets of Ruud Lubbers, Mr Kok's predecessor as premier.

That possibility appeared to recede yesterday when Jaap de Hoop Scheffer, new CDA leader, described the central bank outcome as a defeat for Mr Kok and a bad start for Emu. He wants a parliamentary session to grill the premier on why Mr Duisenberg was finally obliged to concede he would not serve the full term.

Mr Kok can assert that he has landed a Dutchman one of Europe's most important jobs until 2002. That improves on a record that saw Onno Ruding, a former finance minister, lose out at the International Monetary Fund and the European Bank for Reconstruction and Development, while Mr Lubbers himself failed to gain top slot at either the European Commission or Nato.

THE FRENCH AUTHORITY SLIPPING

Chirac victory claims scorned

By Robert Graham in Paris

When he is representing France abroad, there is an unwritten convention that French journalists give the president of their country a soft ride.

But at the Brussels summit good manners were set aside for an unusual display of hostility towards President Jacques Chirac.

Ignoring his obvious late-night tiredness at a press conference at the end of grueling negotiations, journalists questioned his negotiating tactics. At one stage Mr Chirac was even greeted by loud incredulous laughter and was prompted to utter an irritated: "Stop laughing!"

This occurred when he sought to explain how the Dutchman Wim Duisenberg had "freely" made a statement agreeing to leave his eight-year appointment as president of the European Central Bank after four years.

The meeting had been dominated by Mr Chirac's insistence that he would veto Mr Duisenberg unless he formally agreed to step down early in favour of Jean-Claude Trichet, the governor of the Bank of France.

In this atmosphere Mr Chirac was hard-pressed to prove he had scored points for France, despite having secured a remarkably good deal with what one EU official termed "bully-boy" tactics.

If France had not broken ranks and put forward Mr Trichet, it would never have obtained a political pact to allow a Frenchman into the top EU central banking job as soon as possible. Such a

concession was important to Mr Chirac's twin concerns of offsetting domestic accusations of surrendering sovereignty and of countering German influence in Europe. Paris had already lost the site of the ECB to the Germans at Frankfurt and had failed to persuade Bonn of the need for a permanent secretariat for the Euro-X council acting as a political monitor of macroeconomic policy in the euro-zone.

His tactics will undoubtedly placate elements among his rightwing supporters who are against the euro. But the rough handling from the press indicates something more profound: a sense that his authority is on a downward curve.

On top of mishandling last year's dissolution of parliament and being unable to hold together the rightwing parties in opposition, he is now seen as unnecessarily irritating France's key EU partners in what may prove a pyrrhic victory.

This summit is likely to mark a turning point in that Lionel Jospin, the Socialist prime minister, will begin to pursue a more active personal involvement in European affairs. His low-key style is completely different from the bombastic bonhomie of Mr Chirac, and in the last 11 months he has begun to establish a discreet but effective working relationship with other EU leaders.

The government is expected now to begin to behave as though the euro-zone is a part of the domestic political arena. In other words, the primacy in foreign affairs which the constitution assigns the head of state will become much more nuanced regarding European affairs.

THE GERMANS ATTACKS ON 'LAZY COMPROMISE'

Disheartened Kohl may be punished at the polls by sceptical voters

By Andrew Fisher in Frankfurt

Helmut Kohl, the German chancellor, pushed aside his critics in his determination to proceed with European monetary union, but the weekend turmoil over the European Central Bank's presidency may yet rob him of the opportunity to lead Germany into the age of the euro.

Mr Kohl is already facing an uphill struggle in his campaign to be re-elected in September's general election. Unemployment is high, economic reforms have foundered and the public is tiring of his presence, especially when compared with the younger and more popular Gerhard Schröder, candidate of the opposition Social Democrats.

But as the champion of the euro, Mr Kohl could still assert that a sceptical public needed him at the helm to ward off any misgivings about monetary union. After the much-criticised compromise in Brussels over the ECB presidency, that is no longer true.

He looked tired and disheartened as he announced the deal under which Wim Duisenberg will be named ECB president and then step down half-way through his eight-year term.

"An historical moment was overshadowed," said Hermann Rempesberger, chief economist at BHF-Bank. "It showed once again that politics has primacy. It is regrettable this could not have been avoided."

The head of the Federation of German Industry, Hans-



Time for decision: Italy's prime minister Romano Prodi (left) and Chancellor Kohl check the time as they pose for a group picture early yesterday with President Chirac

Olaf Henkel, attacked the deal as a "lazy compromise". "The 'term-splitting' that is envisaged casts a shadow

Since the compromise was against the wishes of the Bundesbank, which favoured Mr Duisenberg for a full term, the start of Emu has been clearly tarnished

over the central bank's much-prized autonomy," he added. For the German public, wedded to the D-Mark, the existence of an ECB mod-

elled along strongly independent Bundesbank lines would help overcome their euro-reluctance.

But the resistance of Jacques Chirac, the French president to a full term for Mr Duisenberg has shown that national politics extends far into the monetary realm.

Mr Duisenberg will be succeeded by the governor of the French central bank,

Jean-Claude Trichet.

Since the compromise was against the wishes of the Bundesbank, which favoured Mr Duisenberg for a full term, the start of Emu has

clearly been tarnished. Voters will not lightly forget this and are likely to bear in mind that Mr Schröder has warned - whether out of conviction or political opportunism - that the euro will not have an easy birth.

Mr Kohl did at least ensure the ECB would start under the leadership of Mr Duisenberg. Moreover, the appointment for a full eight-year term of Oskar Issing, a respected senior Bundesbank director, to the ECB executive board will provide continuity as the new institution seeks to win credibility in the monetary sphere.

"This is certainly a comfort," said Mr Rempesberger. Thomas Mayer, chief German economist at Goldman Sachs, said the new ECB board was impressive. But he thought the central bank might have to assert its independence from over-attentive politicians by being rather more aggressive when raising interest rates to keep inflation at bay after Emu's start next year.

"Thus the politicians have scored an own goal," Mr Mayer added. Financial markets could react to the uncertainty over the ECB's start - and Mr Kohl's political future - by marking up the dollar this week.

Whatever the wider impact, the ECB compromise will leave a sour taste. "Convergence was the order of the day," said Mr Rempesberger on the approach to Emu. "Now, at the final stage, divergence has broken out. That worries me."

WIM DUISENBERG'S STATEMENT

'Of my own free will, not under pressure'

This is the full text, as reported by Associated Press, of Wim Duisenberg's statement to the EU summit announcing he will serve only part of the eight-year term as the first president of the European Central Bank: "I want to thank you for

the honour of nominating me for the function of president of the ECB on this historic occasion.

"I explained to the president of the European Council [the British prime minister and summit chairman, Tony Blair] that I will, in

view of my age, not want to serve the full term.

"On the other hand, it is my intention to stay at least to see through the transitional arrangements for the introduction of the [euro] notes and coins and the withdrawal of the national notes

and coin in accordance with the arrangements as agreed at [the 1995 EU summit in] Madrid.

"I wish to emphasise that this is my decision, and my decision alone, and it is entirely of my own free will, and mine alone, and not

under pressure from anyone that I have decided not to serve the full term [as the ECB president].

"Also in the future the decision to resign will be my decision alone.

"This must be clearly understood."

Bilateral conversion rates for currencies of countries adopting the euro

	100 BFR/Lfr	100 French franc	100 D-Mark	100 Italian lira	100 Escudo	100 Peseta	100 Sdr/pt	100 Mkdr	1000 Lira
Belgium/Lux	614.577	200.255	91.2210	1636.55	20.1214	24.5447	253.192	678.468	20.6338
France	16.2508	335.366	8.2893	257.861	3.27189	3.94227	47.8704	110.324	3.28773
Germany	4.88337	29.8184	2.48338	88.7617	0.975559	1.17547	14.2135	32.8947	1.0101
Ireland	1.93622	12.0063	40.2676	35.7382	0.392634	0.473235	5.72247	13.2469	0.406743
Netherlands	5.46286	33.5863	112.674	2.78812	1.06920	1.32445	16.0150	37.0837	1.12812
Portugal	496.984	3058.34	1020.65	254.56	9087.53	120.482	1455.97	3371.86	103.541
Spain	412.462	2536.54	6967.22	211.257	7950.3	82.9929	1208.18	2758.42	85.6513
Austria	34.1108	208.774	703.582	17.4719	824.415	6.80657	8.27008	231.431	7.10857
Finland	14.7391	90.8420	304.001	7.54951	269.806	2.98571	3.67345	43.2884	3.07071
Italy	4789.50	2961.83	9000.2	2454.56	87564.4	955.805	1163.72	14071.5	3255.53

Source: Bank of England

The above irrevocable conversion rates for the euro will be adopted by European Union governments, on a proposal from the European

Commission and after consultation with the European Central Bank, on January 1 1999. The current Exchange Rate Mechanism (ERM)

bilateral central rates of the currencies of the member states which will adopt the euro as their single currency on that date - the first day of Stage Three of Emu - will

be used in determining the irrevocable conversion rates. The central banks of the 11 member states which are adopting the euro will

ensure through appropriate market techniques that on December 31 1998 the market exchange rates are equal to the ERM bilateral central rates shown above.

PUBLIC NOTICES

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the fifth ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, Edinburgh Park, Edinburgh EH12 9BZ on Thursday 28 May 1998 at 11.30 am for the following purposes:-

1 To consider the Report on the Activities of the Company for the year ended 31 December 1997.

2 To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.

3 To reappoint Directors of the Company retiring by rotation at the Meeting, namely:

a) Barry E Scaly
b) Erik I Culbertson.

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxies, which can be obtained from the Company Secretary at the following address, must be deposited at Edinburgh Park, Edinburgh EH12 9BZ before 11.30 a.m. on 26 May 1998.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting.

"Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed executed by the Company on 31 December 1993 and extends to:-

a) any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;

b) any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary at the address specified below.

By Order of the Board
P H Urace
Managing Director

Edinburgh Park
Edinburgh EH12 9BZ

0971 401520

THE BRITISH ROLE PREVENTING A BOTCHED JOB?

Thankless weekend for chairman Blair

By Robert Peston,
Political Editor

Early yesterday, Tony Blair emerged combative and self-righteous from a long day of bitter wrangling over the appointment of the first president of the European Central Bank.

His stark message was that the UK, as the current holder of the European Union presidency, had saved Europe from botching the launch of the single currency.

Some might have considered this a modest claim for the man who is advancing the cause of peace to Northern Ireland and the Middle East. But for once it did not go unchallenged.

The Italian prime minister, Romano Prodi, whom Mr Blair regards as a friend, described the UK prime minister as "ill-prepared" for the chaotic negotiations he had been chairing.

Jean-Claude Juncker, Luxembourg's prime minister, complained the UK government had not consulted widely enough in advance of the meeting.

However, the truth is that

these countries, including the UK, were peripheral to the main action. Yet again Germany and France were the dominating forces, while the Netherlands was squeezed between them.

To be fair to Mr Blair and his chancellor, Gordon Brown, they anticipated just such a débâcle. Several weeks earlier, Mr Brown suggested that one of his senior officials, Sir Nigel Wicks, should act as the UK presidency's special emissary, moving from capital to capital to broker a deal.

However, the French and German governments insisted Sir Nigel was not needed. They were on their way to reaching agreement, they said. Indeed Chancellor Helmut Kohl arrived in Brussels convinced that an understanding existed between him and Wim Kok, the Dutch prime minister, and Jacques Chirac, the French president.

"It soon became painfully obvious that was untrue," said Mr Blair's spokesman. "We got there and found there were problems within delegations. It was a mess, but not because of our lack

of preparedness."

In outline, the three main protagonists were agreed that the Dutch candidate, Wim Duisenberg, would be appointed, but would step down after approximately four years to make way for the French candidate, Jean-Claude Trichet.

But there were sharp differences over how this arrangement would be formalised. Mr Chirac wanted a specific date for Mr Duisenberg's departure and a binding commitment from him in the form of a summit statement.

The Dutch, just ahead of national elections, were acutely conscious that in those circumstances their candidate would appear a lame duck. "They regarded it as a national humiliation," said a British government member.

Meanwhile, Mr Kohl suddenly became aware that his government coalition partners were unhappy at the suggestion that the euro was about to be launched with the central bank president treated as a political pawn. In clear breach of the spirit of the Maastricht treaty,



The presidency: Blair (right) at the Brussels summit with Robin Cook, the foreign secretary

"Kohl started to come under fire from Klaus Kinkel [foreign minister] and from Theo Waigel [finance minister]," said an EU official. "We had this weird situation where Kohl would be negotiating with Blair, and then he would have to disappear for a few minutes to check out the views of Wa-

gel and Kinkel," said a UK government member.

There were also signs that Mr Chirac's intransigence was putting strain on his relationship with France's Socialist prime minister, Lionel Jospin, and finance minister, Dominique Strauss-Kahn.

Hour after hour passed -

and those prime ministers, from Italy, Luxembourg and the rest, who were not in the thick of the talks - became increasingly annoyed to be outside the main action.

"It is hardly surprising they should attack us in the circumstances," said a British official. "But I am not sure it is altogether fair."

STABILITY PACT LANGUAGE IS AMBIGUOUS

Germans and French differ in approach

By Robert Graham in Paris and Wolfgang Münchau in Brussels

The "stability declaration" adopted by EU finance ministers launching the single currency at the weekend has underlined the differing approaches of the French and Germans to economic and budgetary policy in the euro-zone.

The language allows scope for varying interpretations and even confrontation. The Germans place emphasis on budgetary discipline as a condition of the euro's success, while the French stress that this objective must be balanced by the need to promote growth and generate jobs.

The declaration will be important in providing the framework for the operation of the Euro-X council - the informal body comprising the finance ministers of the 11 countries adopting the single currency. The council, due to meet for the first time on June 4, will be considering budgetary policies of member-countries for the coming year.

France is adopting the euro with the largest 1998 budget deficit among the 11 single-currency countries, equivalent to 2.9 per cent of GDP. Dominique Strauss-Kahn, the finance minister, has indicated he will aim to reduce this to around 2.3 per cent in 1999.

But this still leaves a long way to go before achieving the balanced budget deemed desirable by the Bundesbank. Only by balancing the budget will the rise in France's debt stock be limited. Currently the debt is close to the EU's self-imposed ceiling of 60 per cent of GDP.

Paris will hold out against pressures to use extra revenues from this year's strong economic recovery to prune the budget deficit. It believes such policies are entirely

within the framework and spirit of the 1995 German-inspired "stability pact" - which the French obliged EU leaders to re-baptise in December 1996 as the "stability and growth pact".

Finance ministers have agreed to co-ordinate budgetary and economic policy co-ordination from July 1, six months ahead of schedule. In particular, the deal aims to ensure that the tight fiscal policies of the last few years will be maintained throughout the next seven months until the formal launch of Emu.

The Germans claimed victory over this deal, which is based to a large extent on an initiative by Theo Waigel, the German finance minister. In March, the new provisions aim to strengthen the previously agreed stability and growth pact.

The deal includes three key elements:

- Member-states agree to reinforce budgetary consolidation if economic conditions turn out to be better than planned. This means that governments should use windfalls to cut deficits.

- Countries with high debt ratios must redouble efforts to reduce overall debt levels. This element applies especially to Italy and Belgium, which have the highest debt-to-gross domestic product ratios among Emu's 11 participating states. These countries are asked to run high levels of primary surpluses and adopt credible debt reduction programmes.

- Each country agrees to submit national stability and convergence programmes by the end of 1998 for mutual consultation.

The finance ministers also reaffirmed the "no bail-out" rule, under which each member-state is responsible for its own budgets and debt. They reaffirmed that Emu cannot be invoked to justify cross-border transfers.

WAGE RATES IMPACT OF LABOUR REFORMS

Regional pay differentials could increase

By Richard Adams,
Economics Staff

Wage rates for workers in countries joining European economic and monetary union may move further apart, rather than closer together, according to research about to be published.

David Shepherd, a pay and employment analyst at Industrial Relations Service consultancy, said: "Those expecting a general tendency towards the convergence of wage rates across Europe should not hold their breath."

Instead, Mr Shepherd argues, employment reforms likely to follow the launch of the single currency could cause pay differentials to

move further apart between regions, as they have in the UK.

Writing in the first issue of *Emu - the journal for business*, Mr Shepherd says that the stability pact adopted by members of Emu means governments will not be able to use currency devaluation or heavy public spending to reduce mass unemployment.

"They will be more or less compelled to promote labour market reforms in the drive for efficiency and competitiveness."

"For their part, firms will continue to restructure and rationalise and push hard for wage flexibility, putting trade unions on the defensive," Mr Shepherd said. The Belgium-based Euro-

pean Trade Union Institute published a report last year arguing that the single currency would provoke wage comparisons across borders within Emu. Paul Marginson and Keith Sisson, the

"They will be more or less compelled to promote labour market reforms in the drive for efficiency"

report's authors, said "wage leadership" may emerge, as pay settlements in some countries influence wages in other sectors and countries.

But major differences in national conditions will make the unions' task much

harder, Mr Shepherd said. He quotes a briefing paper by the UK's Trades Union Congress, which said productivity, cost of living, tax and social security differences were also

involved in setting pay. Mr Shepherd points to wage bargaining in the UK, where labour market deregulation has led to a wide disparity of wages within an existing single currency zone.

"It is not unusual for

national retailers, for example, to pay one hourly rate to staff working in [London's] West End stores, yet another rate in outer London and then to pay a variety of further local rates to staff working in shops elsewhere in the country - despite the fact that everyone is paid in pounds sterling," he said.

Other companies, such as banks, may pay clerical staff the prevailing local wage rate, but reward managers with salaries at the levels on offer in similar industries throughout the UK.

"This reflected the company's observation that almost all of its clerical staff were recruited locally, whereas it is common for managers to relocate within the UK

to develop their careers," Mr Shepherd said.

The article agrees with research by Patrick Artus, chief economist for Cassa des Dépôts et Consignations, the French financial institution.

Mr Artus concluded that Emu countries with strong productivity gains would have "higher nominal wage increases", because of distortions between industry producing traded goods and other areas of the economy.

Emu - the journal for business, Eclipse Group, 18-20 Highbury Place, London N5 1QP. 0171 554 5555. Annual subscription £385.

For Hoechst, Life Sciences means focusing on the fields of health and nutrition where biotechnology holds the key to innovation. Hoechst Marion Roussel, our pharmaceutical company, is developing highly effective drugs in the fight against currently incurable diseases. Our agribusiness, Hoechst Schering AgrEvo, is ensuring nutrition for the world's growing population through integrated crop production.

The Future in Life Sciences **Hoechst**

Life Sciences means a new
future for health and nutrition.

Hoechst means a new future
in Life Sciences.

INTERNATIONAL

NEWS DIGEST

DANISH STRIKE

Employers and unions call in arbitrator

Hopes of an end to the week-long national strike in Denmark rose yesterday after employers and union leaders called in the state industrial relations arbitrator. The two sides, locked in a dispute over a two-year wage deal and holiday entitlements, asked the mediator, Asbjørn Jensen, to intervene after inconclusive talks on Saturday.

It was hoped a solution could be reached by midnight yesterday which would meet workers' demands for improved pay and conditions, without inflating employers' wage costs. More than half a million Danish union members, one-fifth of the total workforce, have stopped work. The action has spilled over into neighbouring countries. Car and truck manufacturers in Sweden and Germany have halted or scaled back production after running short of Danish components, while airport workers in Stockholm have refused to service some long-haul flights diverted from Copenhagen. Tim Burt, Stockholm

HONDURAS ECONOMY

Sharp cut in company taxes

Honduras has sharply cut company taxes as part of measures to stimulate the economy. Taxes on company profits are to be reduced to 30 per cent this year and 25 per cent from 1999, from the present level of 42 per cent, a move the private sector had been pressing for.

However, sales tax has been raised from 7 per cent to 12 per cent, except for basic goods and medicines, to try to cut the \$135m budget deficit. Unions are protesting at the increase but Gabriela Núñez, finance minister, said prices would be kept in check by the lowering of import tariff barriers. The package, the first such reforms since President Carlos Flores took over in January, also included measures to boost the banana sector by cutting taxes on exports of the fruit. James Wilson, Panama

PAKISTAN CABINET

Rift feared as minister quits

Fears of rifts within the cabinet of the Pakistani prime minister, Nawaz Sharif, were heightened at the weekend by the resignation of Ghous Aurub Khan Khan, the foreign minister. The foreign ministry said that Mr Khan, son of late field marshal Ayub Khan, Pakistan's military dictator in the 1960s, had sought another portfolio. Privately, government officials said his departure followed a growing rift with Siddique Kanto, the junior foreign minister who is closer to Nawaz Mr Sharif.

Western diplomats said Mr Sharif was likely to announce a cabinet reshuffle within weeks in an attempt to improve his government's waning image. Farhan Bokhari, Islamabad

HILLARY CLINTON

Congressman edited tapes

A Republican congressman who released transcripts of confidential conversations involving Webster Hubbell, the former Clinton aide indicted on tax evasion charges last week, edited out sections which appear to exonerate Hillary Clinton, the first lady, it emerged yesterday.

Dan Burton, chairman of the House of Representatives government oversight committee, on Friday published selective transcripts of confidential discussions between Mr Hubbell, his wife and his lawyer when he was serving a prison sentence on a previous conviction. The tapes suggest Mr Hubbell, who used to work at the same Arkansas law firm as Mrs Clinton, may have withheld testimony about possible wrongdoing by the Clintons in the hope of a presidential pardon and to protect his wife's government job. However, a previously unredacted excerpt obtained by a television station quotes Mr Hubbell as saying explicitly that Mrs Clinton "didn't participate in any" wrongdoing. Mark Suzman, Washington

CHINESE INDUSTRY

Overhaul for coal sector

China is to overhaul its coal industry following sharp losses in the first quarter of this year due to a glut of coal, officials said. Zhang Baoming, director of the state coal industry bureau, said large coal mining corporations would be formed through mergers. Smaller mines were to be sold off, contracted out, merged or turned into share-holding companies.

These measures, it is hoped, will reinvigorate the industry by cutting costs and raising efficiency. Some costs will be saved by dismissing workers: 150,000 are to be made redundant this year, on top of the 870,000 in the past five years. In the first quarter, the main coal companies reported a loss of ¥1.53bn (\$180m), compared with a profit of ¥1.21bn in the same period last year. James Kyne, Beijing

BASQUE ARRESTS

Blow claimed against Eta

Spanish police yesterday claimed a significant blow against the terrorist group Eta after four arrests in San Sebastián, a centre of the Basque area's separatist violence. Two men were held as they were setting up a grenade launcher outside a barracks in a suburb of the city, and a man and a woman were subsequently arrested in a San Sebastián flat.

The four were understood to be members of the Eta command known as Donostia - San Sebastián in Basque - which the interior ministry believes to be the sole organisation currently operated by the separatist organisation. In March police arrested Eta's gunmen based in the province of Álava and last year they rounded up the organisation's unit in the Vizcaya, the third Basque province. Tom Burns, Madrid

BusinessWeek

In this week's issue

- Viagra - does it herald the new era of lifestyle drugs?
- Share buybacks could double as companies lobby for change
- Europeans are rushing onto the net
- The movie star whose political star is rising in the Philippines

ON SALE NOW

For information call Int. +44 01625 502900

Row brews over bank role in dam project

By Mark Suzman in Washington

A row is brewing over an apparent attempt by the World Bank to play down a critical report from its internal inspection panel about the harmful effect on local communities of a Latin American dam it helped finance.

Environmental activists have long claimed that the \$8.5bn Yacyretá hydroelectric scheme on the Rio Paraná river between Argentina and Paraguay violates World Bank protocols on the envi-

ronment and the resettlement of indigenous people affected by its projects.

But in a letter to concerned groups in February, Isabel Guerrero, acting vice-president for the Bank's regional office for Latin America and the Caribbean, said a special report on the matter last September by the Bank's inspection panel showed no evidence of wrongdoing. "The Bank is satisfied with the conclusions of the report which confirm that the Bank's policies on resettlement, the

environment, community participation and all other areas were fully met and implemented in the Yacyretá case," she wrote.

The letter was published in the Paraguayan press by the Entidad Binacional Yacyretá, the joint Paraguayan/Argentine entity that oversees the project, as vindication of its actions.

But the environmental groups claimed this was a misrepresentation of the panel's findings and have called on the Bank to publish the complete report.

According to the confidential study - a copy of which has been seen by the Financial Times - the panel concluded the project suffered from "fundamental problems" including "serious health hazards" with regard to meeting environmental and population resettlement goals.

It said meeting those extra liabilities would cost at least \$130m and take until 2000.

"Despite extensive but inconsistent supervision efforts, the Bank has failed to bring the project into

compliance with relevant Bank policies and procedures due to a poorly conceived project design in the first place, compounded by changing standards and regulations over time, bureaucratic procedures and lack of financial resources," the report says.

World Bank officials sought to play down the discrepancy between Ms Guerrero's letter and the report, saying she had been referring only to policies and not their effects. They admitted there were serious problems

with resettlement of local people, but said steps were under way to correct them.

The report follows a separate inquiry by the inspection panel into a \$400m loan for an Indian power plant that also found the Bank had committed serious violations of its environmental and resettlement safeguards.

Both projects were approved and implemented before James Wolfensohn, World Bank president, began his effort to reform the institution and make it more accountable.

Telecom investors prepare to dial Africa's number

But the state-owned monopolies which have performed so badly have been left behind by new technology, writes Victor Mallet

When representatives of 400 companies and dozens of governments meet today for Africa Telecom 98, they will repeat the mantra of "African renaissance" - and proclaim the continent as the last unexploited territory for big telecom investments.

Jay Naidoo, South Africa's minister for posts, telecommunications and broadcasting, has even said the week-long exhibition and conference is "one of the most important events to be held this millennium in Africa".

It is being staged near Johannesburg by the United Nations' International Telecommunication Union (ITU). At present only one in 300 people in sub-Saharan Africa has a telephone. As Mr Naidoo is fond of saying, there are fewer phones in the region than in Tokyo.

But if there is to be a renaissance in African telecommunications to match the still fragile economic recovery, it is likely to result in the withering away of most of the

state-owned monopolies that have served the continent so badly for so long.

The inefficient monopolies often could not meet demand even for basic land-lines in their own capital cities. Now they are being left behind by new technologies offered by foreign investors - including mobile telephony, satellite links and "wireless local loop" systems serving remote areas without the need for copper wire or glass fibre connections.

Few of the old-fashioned state telecoms companies are prepared for the increase in competition made inevitable by the worldwide telecoms liberalisation. Nor have they always grasped the implications of the convergence of the technologies of broadcasting, voice telephony and data transmission.

The ITU's African Telecommunication Indicators 1998, published today, paints a sorry picture of state companies that have failed to meet demand for telephone services - even though this

is a region where revenue per line remains exceptionally high by world standards.

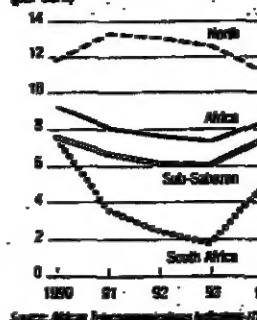
In several countries - including Malawi, Swaziland, Sierra Leone and Tanzania - would-be telephone users have to wait more than 10 years to be connected, according to the incomplete statistics laboriously compiled by the ITU.

In Guinea, the report shows, there are a remarkable 937.5 faults per hundred lines each year, which suggests that the average subscriber (there are only 15,000 of them) has nine or 10 faults a year. Even Zimbabweans suffer from 240 faults per 100 lines annually.

As for telephone penetration, the wooden spoons go to the Democratic Republic of the Congo, with only eight main lines for every 10,000 inhabitants, and Chad, with nine per 10,000. In South Africa there is more than one main line for every 10 people, although the figures are heavily skewed towards

African telecommunications

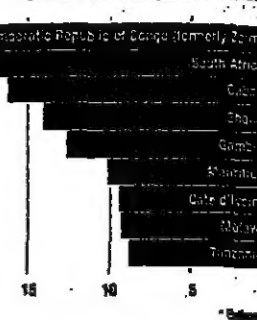
Annual growth in main telephone lines (per cent)



Source: African Telecommunications Indicators '98

Debt reduction

(as a % of total telephone subscribers)



Source: African Telecommunications Indicators '98

the white community.

Figures such as these have whetted the appetites of the international companies exhibiting their wares in Johannesburg this week.

In some countries, modernisation with the help of new investors is already under way. The ITU notes that there were five privatisations of African public telecoms operators in 1996 and 1997, compared with only one between 1980 and 1985. It also notes that a dozen nations have established independent regulatory agencies in the last two years.

"The African mobile cellular market is blossoming," the report says, although it acknowledges this is partly because of the inadequacy of the ordinary network. Mr

Naidoo said last week that South Africa would grant its third licence to operate a cellular network before the end of this year.

A day later, DSC Communications of the US announced that Celcor, its cellular infrastructure division which specialises in smaller markets with low subscriber densities, had signed a contract to install a system in Lagos, Nigeria's biggest city.

But Africa is likely to remain a relatively small and difficult market for many years. Of the \$85bn raised worldwide for telecoms privatisation in the last four years, only \$1.7bn was directed at Africa - most of that for South Africa.

An international dispute

over US attempts to reduce settlement rates for international calls - which provide many African telecoms operators with a substantial net income in dollars - has yet to be resolved.

"Even with the most optimistic assumptions," the ITU concludes, "fewer than one in 50 Africans will have direct telephone access by the end of the decade."

Mr Naidoo, however, is enthusiastic about using telecoms as a tool for African economic and social development. "This is not a dream. It is not a fantasy. It is very much part of reality," he says. "The fact that we are among the least developed countries in the world in terms of telecoms is not so much a disadvantage as an opportunity."

Democrat obstacle to IMF funding

By Nancy Denise in Washington

President Bill Clinton's attempt to get congressional approval of a \$17.9bn contribution to the International Monetary Fund has run into new obstacles among the bill's most vocal Democratic supporters in the House of Representatives.

Congressman Richard Gephardt, House Democratic leader, and five other congressmen are demanding that the administration abandon efforts to change the IMF charter, which would extend the Fund's jurisdiction to the liberalisation of capital movements. Otherwise, they say, they will withdraw their support for the US share of IMF capital expansion.

The amendment to the IMF charter was agreed during the spring meeting of the IMF and World Bank last month.

The IMF legislation has passed the Senate but has been caught in a squabble among Republicans. Although Newt Gingrich, House speaker, told businessmen last week that he expected a bill to pass in mid-summer, he has called for new hearings and amendments which could delay it indefinitely.

Democrats hoped the US would demand a different sort of change in the IMF. They want IMF loans to protect social safety nets to protect those most injured by economic adjustment; education and training; democracy; and human rights.

"Why single out enhancing the mobility of capital as the only subject demanding enhancement in the IMF's charter when we share the objective of addressing these other important issues?" the Democrats said in a letter to Robert Rubin, Treasury secretary.

"Adding a commitment to the completely free movement of capital exacerbates inequality unless it is accompanied by policies that substantially mitigate its impact."

The group believes the change in the charter will result in the kind of rapid movements of capital which "greatly exacerbated the recent crisis in Asia". Instead, it said, consideration should be given to measures which restrain capital volatility.

Brazil heralds shift in exchange rate policy

By Geoff Dyer in São Paulo

Brazil has started a process of substantial change to its exchange rate policy by widening the narrow band in which its currency, the Real, trades against the US dollar.

The trading band is to be broadened by a small amount every month, which in the long term will transform the closely controlled trading peg into a considerably more flexible exchange rate regime.

In the first change to exchange rate policy since July 1995, the central bank hopes to reduce the rigidity of the system and make currency speculation more difficult. The policy of a gradual and controlled devaluation against the US dollar has anchored the government's economic stabilisation plan, which has reduced inflation from over 2,000 per cent a year in 1993 to single-digit levels last year.

However, the policy has

come under pressure, notably in October during the Asian economic crisis, because of a sharp rise in the current account deficit last year and the continuing high budget deficit, and economists had begun to question its sustainability.

The central bank said the change in policy was not designed to alter the rate of devaluation of the currency, which economists believe is 10-20 per cent overvalued.

"This has nothing to do with speeding up devaluation," said Domésthenes Madureira de Pinho Neto, the bank's director for international affairs. "What we have done is to introduce an element of flexibility and to show the market where we are heading." Since 1995 the Real has traded against the dollar within a 0.5 centavos band, which is devalued around once a week to produce an annual nominal devaluation of 7 per cent.

The central bank will

broaden the band by 0.1 centavos every month so that after a year the band will be equivalent to 1.4 per cent of the value of the Real and will rise to 2.53 per cent in three years' time. "In the long term, this creates a cushion to protect against another Asian-style crisis," said Mr Pinho Neto. In theory, the wider band increases the potential losses from speculating against the Real.

The central bank's finding is designed to prevent investor nervousness about the currency approaching the October general election. Some investment banks had predicted the government would alter the policy after the election, which might have encouraged speculation before October. Some economists believe the more flexible currency regime could be used to slow the pace of devaluation, as this would create room for further cuts in interest rates.

Debt payments worry Caracas

By Raymond Collitt in Caracas

Venezuelan central bank officials are calling for a restructuring of the country's foreign debt payments and are studying a new package of monetary and fiscal measures, amid growing capital flight.

"If we don't restructure the debt service payments in the near future, it would be an excessive burden on the social and fiscal accounts," said Domingo Maza Zavala, a central bank director, at the weekend, echoing a similar proposal by the bank's president on Friday.

Venezuela faces a \$2bn annual service payment on its Brady bond debt to 2000. According to a research report by SGC Warburg Dillon Read, Venezuela's interest payments on foreign debt will increase as a percentage of total exports from 13.9 per cent in 1997 to 16.4 per cent in 1998. The rising payments come as an oil revenue

shortfall, estimated at \$4.5bn for the year, has forced the government and the state-owned oil company PDVSA to cut costs and expenditures by a combined \$3.5bn.

Mr Maza also said tougher fiscal and monetary measures were being studied to halt growing capital flight, which caused international reserves to plummet by more than \$4bn in just four months. Investor concerns about the budget deficit and the outcome of December's presidential elections sent the Caracas stock exchange index to a 13-month low of 6,104 last week. Raising interest rates further would be difficult because of the "delicate situation of certain commercial banks," said Mr Maza.

The announcements come as the government this week is to make its final proposal to the International Monetary Fund to reach an agreement it has been seeking for nearly a year.

Too soon to make light of Asia crisis

By Peter Montague, Asia Editor

Where the Asian crisis is concerned we can see some light at the end of the tunnel, says Gabriel Singon, governor of the Philippines' central bank. The only trouble is that we're not sure if it's the light of an approaching train.

Mr Singon laughs to show his famous sense of humour has got the better of him, but if the joke hits home, it is partly because it reflects a widely prevailing sentiment at last week's Asian Development Bank annual meeting in Geneva. While delegates were keen to suggest the crisis sparked by last year's Thai baht devaluation is under control, there is also much unease about how quickly it will play itself out.

Above all, there is acute awareness of the depth of recession facing Asian countries used to world-leading rates of growth. One fear is that the failure of the economies to recover will spark a new loss of confidence in financial markets or cause governments to let up on the difficult task of economic adjustment and restructuring.

Even gloomy growth projections of the International Monetary Fund and ADB are regarded as far too optimistic by some. Thus the Institute of International Finance (IIF), a Washington-based think-tank funded by leading private sector financial institutions, reckons Indonesia will see its economy shrink by 12.5 per cent this year.

Even Malaysia, which is officially forecasting modest real growth, will see economic output fall by 2 per cent, while China's growth next year will fall to 6.5 per cent, well below the level seen by Beijing as necessary to allow for reform of banks and state enterprises.

"The credit squeeze is very severe and shows no sign of letting up," says Gregory Faget, the IIF's Asian economist. Nor would lower inter-

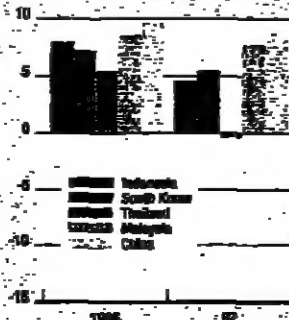
est rates bring much relief, since the problem is less to do with the price of credit as its availability as the region's banks struggle to provide for bad loans and rebuild their capital.

Nor has the much vaunted rebound of exports materialised after Asia's devaluations as companies remain deprived of working capital.

Yet some international bankers are showing signs of impatience. They worry that South Korea is becoming complacent about restructuring now that its currency and reserves have recovered and that momentum has gone out of negotiations to solve the problem of Indonesia's private sector debt.

Growth outlook for Asia

Real GDP %



The trick for the authorities at last week's ADB meeting was thus to manage the mood - to prevent despair taking over while also fighting unrealistic expectations of how quickly the crisis could be resolved.

And there was some good news to report. Sentiment should improve as a result of today's IMF decision to resume lending to Indonesia.

Korea has returned to international bond markets and Thailand is expected to do so in the not too distant future. According to Hubert Neiss, director of the IMF's Asia-Pacific department, most elements of Korea's rescue are in place: market stability has been restored, capital account liberalisation has been virtually achieved, and restructuring of the financial sector is on schedule. Only the fourth element - restructuring of large industrial groups - is to come.

More significantly Mr Neiss confirmed the time was approaching when the IMF must reorient its Thai strategy to economic expansion now it has dealt with banking problems. But picking the moment involved some delicate choices. "If you hold on for too long you put the economy in difficulties. If you relax too early you lose the hard-won gains."

Relaxation was always a matter of trial and error, Mr Neiss said, but it was easier to act on the fiscal rather than monetary side, as cutting interest rates always risked destabilising the exchange rate. Thailand, which has been crowding out the private sector by borrowing to support bank bail-outs, might find resources for fiscal expansion by borrowing abroad.

Even in Indonesia, the gloom is not total. Mr Cees de Koning, ADB Amro's country chief in Jakarta, acknowledged that progress on debt restructuring was slow, but he said some entrepreneurs were repatriating assets from abroad to repay debts and there was also some evidence that trade finance was being restored to Indonesian companies.

Whether improvement comes quickly enough is another matter. In the background are continuing worries about the weakness of China's economy and the disappointing market impact of Japan's latest package. More radical solutions could yet be needed to ease the burden of private sector debt, while a yen collapse could still undermine the fragile claim that has descended on Asia. Then Mr Singon's joke could turn out to be not very funny after all.

Island deals end south Pacific feuds

By Owen Robinson in Bougainville, Papua New Guinea

TWO extraordinary diplomatic breakthroughs in the past week have brought a new mood of peace to two of the south Pacific region's most troubled islands: first, in the French territory of New Caledonia and second, on the island of Bougainville in Papua New Guinea's eastern region.

Both were agreements to end bloody independence struggles. In each dispute, grievances on all sides were confused by intertribal feuds, which often pitted rebel factions against one another as well as against the ruling powers.

The similarities between the agreements were a "complete coincidence," said Alexander Downer, foreign minister of Australia, which helped broker last week's Bougainville peace agreement.

"But they are a very happy coincidence... if there had been a renewal of hostilities in New Caledonia, Australia would ultimately have been drawn into trying to help resolve the issue."

The involvement of Australia and, more significantly, New Zealand as the leading peace broker in the Bougainville accord marked a new level of regional diplomatic co-operation.

In an area riven with complex - even feudal - political systems and sometimes violent ethnic and cultural differences, the peace deals were triumphs of diplomacy and negotiating skill. Their finer points, however, were

cloaked in Melanesian subtleties and implicit meaning. Their overriding significance, say regional observers, was as a symbolic bridge between bitter foes, who shook hands and joined in friendship ceremonies for the first time last month.

In the case of Bougainville, the agreement between secessionist rebels and the PNG government was the result of bold and expert diplomatic footwork by New Zealand and Australia.

The two countries hosted several rounds of talks over 15 months between more than 100 representatives of parties to the conflict. The meetings, attended also by envoys from other south Pacific countries, took place in locations including an Australian warship off Bougainville's coast and conference halls in Canberra and Christchurch.

In New Caledonia's case, France made unexpected concessions to reach the agreement with indigenous Kanaks announced in Paris last Tuesday. The accord, between the Socialist government of Lionel Jospin, the prime minister, and the territory's separatist and loyalist forces, provides for step-by-step devolution ahead of a vote on full independence early next century.

Mr Jospin will visit New Caledonia tomorrow to sign the agreement and officially end more than 15 years of often violent conflict in the French colony. Yesterday in Paris, he said the accord was solid and he would see to it that it was fully implemented.

Egypt and US to boost trade ties

By Mark Hubbard in Cairo and agencies

Egypt and the US are to sign a trade and investment framework agreement to boost commercial ties. Al Gore, the US vice-president, announced after talks in Cairo with Hosni Mubarak, Egypt's president.

The new agreement, for which negotiations will start soon, is intended by Egypt to assist in reaching a targeted 11 per cent growth in exports in order to achieve annual economic growth of 7-8 per cent.

The US is Egypt's largest single trading partner, with Egyptian exports to the US worth \$1.57bn in 1996-97 out of a total trade balance worth \$3.5bn.

Mr Gore also witnessed yesterday the signing of four bilateral co-operation agreements on issues ranging from law enforcement and the environment to education and the private sector.

Mr Gore and Mr Mubarak established a President's Council in 1995 to strengthen US-Egyptian business ties. Many council members are leading Egyptian businessmen who have also played a key role in attempting to cement ties between Egyptian and Israeli business, as part of a US-backed strategy of integrating Israel into the regional economy.

However, US trade efforts in the region received a setback yesterday when Israel said it was protesting at a decision by the US Trade Representative to place it on a watch list for violating intellectual property rights.

Israel's industry and trade ministry said Israel was seeking to be removed from the list, and that it was already taking measures to step up enforcement. "It is strange that at a time when Israel is strengthening its enforcement [it] is put on the list," the ministry said.

An official said a letter cited violations by Israeli companies of copyright, as well as Israel's controversial new patent law that was approved by parliament earlier this year.

US drugmakers have said the new law would give Israeli generic drug companies an unfair advantage over their US rivals, but the official reiterated Israel's view that the law should be acceptable to Washington.

Israel was placed on the watch list in 1996 and the latest decision raises the warning level.

HK row over US copyright watch

By John Hidding in Hong Kong

Hong Kong has protested against a decision by the US to keep the territory on its intellectual copyright watch list, despite recent high-profile steps to crack down on piracy.

"Unfair and inaccurate statements on Hong Kong, such as those in the US Trade Representative's Special 301 report, are unwarranted," said Chau Tak-hay, secretary for trade and industry.

Although inclusion on the 301 watch list does not carry statutory sanctions, Friday's decision by the US comes as a blow to Hong Kong's attempts to improve its image in copyright protection.

Announcing the decision, the US said Hong Kong would be subject to another review later this year. While citing areas of progress in the territory's fight against piracy, the US report said retail distribution of pirated products continued to flourish while illegal production of video compact discs had been increasing.

The territory has strengthened legislation in its fight against piracy and has launched a series of spectacular raids and arrests over recent weeks. Last month, authorities seized more than US\$90m of illicit compact discs and unauthorised production equipment in the world's biggest software piracy haul. A senior customs officer was among some 20 arrested. Last Friday, new raids led to 24 more arrests.

In addition to the enforcement measures, the government said it was considering new laws which would make landlords liable for renting premises used to sell counterfeit goods. Copyright pirates could also have their acts classified as organised crime, according to outline proposals. That would allow for the confiscation of assets and higher penalties.

Hong Kong has already moved to strengthen laws against piracy in the territory. Last year a licensing requirement was introduced for import and export of optical disc manufacturing equipment. The administration has also brought in more customs investigators. The government is also under pressure from the local film industry, which has been hit hard by the production and distribution of bootleg films.

Bank puts brave new face on the future

As scandal erupts again at the Bank of Japan with a director's suicide, a bearded outsider has been hired to refresh its image

By Gillian Tett in Tokyo

Japan's bureaucrats traditionally obey a clean-shaven dress code. This spring, though, a rebel beard has entered the Bank of Japan.

For as the central bank reels from recent corruption scandals, it has enlisted an unusual weapon to improve its reputation - Sakuya Fujiwara, the new deputy bank governor, who is a former journalist and sports a non-conformist crop of facial hair.

My appointment "is something new," explains Mr Fujiwara. "We are at an experimental stage. We are trying to show that there is transparency and change at the bank."

Such a campaign, beard included, is badly needed. Until recently Japan's central bank prided itself on its lofty, conservative and clean-cut reputation. But in March this image was shattered after public prosecutors arrested a senior central bank official over charges he had provided market-sensitive information to Japanese banks in exchange for lavish "winning and dining."

The bank has since tried to stave off more arrests by conducting its own in-house probe and reprimanding almost 100 officials. The Japanese media have also criticised the probe for being too lenient.

But at the weekend the scandal erupted again after Takayuki Kamoshida, an executive director in charge of the probe, committed suicide.

Police said Mr Kamoshida, 58, had said in a suicide note before he killed himself on Friday night that he had "reached his limit".

The bank refuses to comment on the death, although officials said yesterday that the death had shocked staff. In addition Masaru Hayami, the central bank governor, insisted at the weekend that he was "not aware of any problems with our investigation". Ryutaro Hashimoto, the prime minister, added that the suicide was "truly regrettable".

But Mr Kamoshida's death will make it hard for the bank to convince the public that there are no more dirty secrets to come out. Meanwhile, Japan's politicians are seeking to use the scandal to



New image: the bearded Fujiwara and his predecessors Matsushita (right) and Fukui

exercise their own influence over the central bank.

Against this background, Mr Fujiwara has a key role to play. For the scandal has left the bank scrambling to show that it is abandoning its old bureaucratic traditions. In March, for example, the former governor and deputy governor resigned, and two other directors are expected to leave soon.

Mr Fujiwara, 61, now seems well positioned to forge a new image for the bank. Beards have traditionally been a sign of an artist or intellectual in Japan - and the antithesis of the bureaucrat. In fact, Mr Fujiwara has spent his career

with "Jiji" press, including five years covering the bank, after which he wrote a book entitled *The True Faces of Bank of Japan Governors*.

This background means he is arguably the first true "outsider" at the bank. Indeed, as he points out, only one other journalist has held such an important bank position in the western world: Rupert Pennington-Rea, the former British journalist, who served as deputy governor of the Bank of England earlier this decade until resigning because of a sex scandal.

But it also means Mr Fujiwara has no "hands-on" banking experience. "I am

like a baby here," he says. "I am not familiar with technical jargon."

Consequently, he is reluctant to express anything other than the officially approved line on economic policy.

He argues, for example, that foreign exchange levels should reflect "fundamentals".

He insists that the central bank will do "everything necessary" to help the economy. And he freely admits that he remains uncertain about the technical details of the bank's rapidly expanding balance sheet.

But this lack of technical skills may not be entirely a

handicap. For the technical banking work is likely to be delegated to Yutaka Yamaguchi, the one senior central bank bureaucrat who has survived the purge and has now been appointed as a second deputy governor.

Mr Fujiwara's main role in the coming months will probably be a public relations one. "I am going to act as a type of two-way channel," he says. "I will convey to the bank what the public is thinking and explain the bank's activity to the outside world."

Whether this position will give Mr Fujiwara much actual power to promote change in the bank is unclear.

Many bureaucrats suspect he will be little more than a figurehead. Indeed, rumours are rife that the man Mr Fujiwara replaced, Toshiko Fukui, could return to the bank one day.

But figurehead or not, his arrival points to a much broader shift in Japan's political machine. "The bureaucracy is under huge attack now from politicians and public," admits one government official. "So we have to make signs... that we are changing." Mr Fujiwara, in other words, is likely to be flaunting his beard in the bank for some time to come.

Tervetuloa,
Welcome, Bienvenue,
Willkommen,
Bienvenido, Welkom,
Bem-vindo, Benvenuto.

By the way, we also speak euro in
60 other countries around the world.



ABN AMRO Bank, at home in all 11 EMU

member-states (and 60 other countries across

the globe), welcomes the first entrants to the

single European currency. As financial borders

fade, we are there to provide flexible euro

services, wherever your business takes you.

the euro



ABN AMRO The Network Bank

BRITAIN

SIERRA LEONE COMPANY CLAIMS \$10M WORTH OF EXPORTS WERE OFFICIALLY SANCTIONED DESPITE UN EMBARGO

Arms sales put ethical policy to the test

By David Buchan,
Diplomatic Editor

The UK government's ethical foreign policy faces an awkward test in the inquiry into allegations that UK arms were sold to Sierra Leone in defiance of a United Nations embargo, but with the aim of helping restore democracy there.

The British Foreign Office confirmed over the weekend that it had tipped off the UK Customs & Excise depart-

ment two months ago to the allegation that a UK company, Sandline International, had broken the UN arms embargo by supplying arms to local forces in the west African country.

Together with Nigerian-led peacekeeping troops, these forces restored Ahmed Tejan Kabbah - who had been ousted in a military coup in May 1997 - to the presidency last March.

The Foreign Office said it had suggested the Customs

& Excise investigation, and that Robin Cook, the UK foreign secretary, had ordered full co-operation with the inquiry.

Lawyers for Sandline have claimed that, despite the UN embargo, the company had gained Foreign Office approval for the arms sales, reported to amount to \$10m worth of guns and ammunition from Bulgaria.

The Foreign Office said: "No ministerial approval was ever given for San-

dline's activities." But it left open the possibility that officials might have given Sandline the go-ahead by announcing that after Customs & Excise had finished its investigation, there would be an internal Foreign Office inquiry.

John Redwood, trade and industry spokesman for the opposition Conservatives, yesterday demanded a government statement to parliament. He said the affair showed "tensions and con-

licts between the Foreign Office and the Department of Trade and Industry over what is legitimate and what is not legitimate".

The issue of legitimacy was blurred by the fact that it was UK policy not to recognise the May 1997 coup in Sierra Leone and to work for the restoration of Mr Kabbah to power. At the UK's behest he attended last November's Commonwealth summit in Edinburgh, Scotland, as Sierra Leone's

rightful representative.

Mr Cook has vaunted his ethical foreign policy of promoting human rights and of restraining UK arms exports to those who abuse such rights. But in the particular circumstances of Sierra Leone, UK officials could perhaps have argued that arms sales were in support of, not contradiction with, human rights - except for the existence of the UN arms ban. This was imposed after the May 1997 coup.

Tories seek to champion rights of motorists

By George Parker,
Political Correspondent

The opposition Conservative party is set to turn back the clock to the days of Margaret Thatcher's cherished "great car economy" by settling themselves up as the defender of the motorist.

Sir Norman Fowler, the party's environment spokesman, believes the Labour government of Tony Blair is alienating millions of car-owners by proposing new charges on motorists, including tolls and parking taxes.

The proposed changes will be set out in June by John Prescott, the deputy prime minister, in a transport policy document whose supposed "anti-car" tone has already raised concern in Mr Blair's office.

Geoffrey Norris, a senior member of the Downing Street policy unit, has sent a memorandum to the deputy prime minister, arguing that the motor car has brought freedom to many people.

But yesterday Mr Prescott - who is also chief minister for transport - dismissed Mr Norris as a "teenybopper" and insisted his plan to encourage people to use public transport would continue.

Sir Norman will today raise the political stakes by

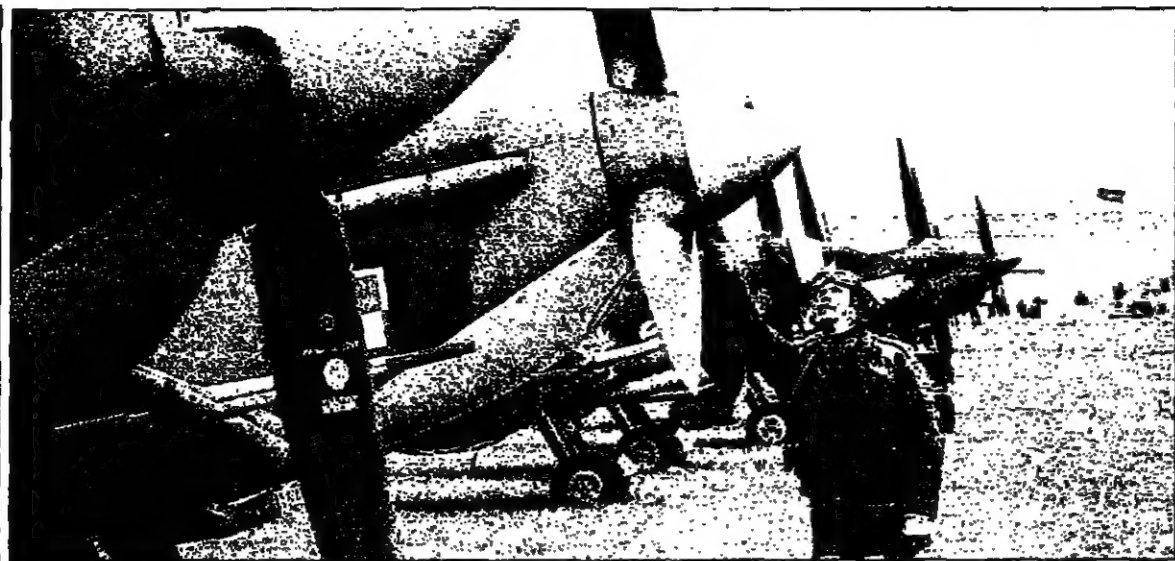
arguing that transport policy "must recognise the personal mobility that only the car can provide".

The tone of the new Tory policy is already being set by its candidates in this week's local elections, who are campaigning for measures that would encourage car use in town centres.

In the London borough of Richmond, the centrepiece of the Tory campaign is a promise to provide up to 30 minutes of free parking in car parks and on all meters.

"We will be watching what happens in Richmond very closely," said one senior Tory. "We believe these policies will be very popular with the voters."

Sir Norman, a former Conservative party chairman, believes the Tories can stake out clear policy differences with Labour over transport by championing the rights of motorists, and opposing new taxes. Speaking in his Sutton Coldfield constituency in central England, he will say: "Hardly a day goes by without some government minister or other making threatening noises towards people with cars." He will argue the car is essential to individual freedom, and particularly valuable in rural areas and to women.



Flight Lieutenant Charlie Brown with aircraft at the Spitfire Air Show near Cambridge yesterday, which was attended by more than 10,000 people. The Spitfire played a leading role in Britain's air defences during the second world war.

Ashley Ashwood

Insurance regulation update urged

By Christopher Adams,
Insurance Correspondent

Codes of practice for insurance brokers are outdated and in desperate need of revision, according to the Insurance Brokers' Registration Council. The watchdog also called for the government to shake up regulation in the industry.

The council's comments follow concern among large companies over remuneration payments for brokers and the government's announcement last month that it would review the regulation of general insurance intermediaries as part of a

wider overhaul of regulation in financial services.

The watchdog says insurance codes of practice do not recognise how the business, especially remuneration, has changed. The organisation, which has statutory powers under legislation passed in 1977, says regulation of insurance brokers should be brought under one umbrella.

At present the industry is governed by three different codes of practice drawn up by Lloyd's of London, the Association of British Insurers and the IBRC.

The perceived need to change the regulatory regime has been given added

impetus by the changing nature of remuneration in commercial insurance broking and pressure to increase levels of disclosure.

Brokers have come under fire from buyers of commercial insurance for taking tens of millions of pounds in fees and incentives from insurance underwriters in addition to the payments they receive from clients, whose interests they are supposed to represent.

These payments are not illegal but customers want full disclosure, especially since many pay fees rather than allow brokers to take a commission.

Codes of practice in theory oblige brokers to disclose all payments to clients. However, the IBRC believes they could be more definitive.

The British Insurance and Investment Brokers Association, the trade body, said: "The market has changed, practices have changed. The way brokers are remunerated has changed. There is a need for more clarity."

The association is likely to recommend to the government that the industry abide by basic principles for intermediaries operating in the personal and commercial insurance markets.

NEWS DIGEST

VENTURE CAPITAL

Investment deals reach record level of \$7bn

Investment by British venture capitalists reached a record \$4.2bn (\$7bn) last year, according to figures released yesterday by the British Venture Capital Association. While high-profile deals such as the buy-out of IPC Magazines caught the headlines, the association stressed the "satisfying" increase in the amount of money going to young, small companies. Investment in early-stage companies rose by 21 per cent to \$159m, including \$58m to start-up businesses.

Another area of particularly strong growth was investment overseas, which more than doubled to \$1.1bn. This is the first time UK venture capitalists have spent such a high proportion - more than a quarter - of their total investments overseas. Management buy-outs and management buy-ins accounted for less than a third of the companies backed, receiving 65 per cent of the funding at \$2bn. Jean Eaglesham

LANDMINES

Minister angry over delay to ban

Robin Cook, the UK foreign secretary, is engaged in a dispute with Ann Taylor, leader of the House of Commons, over a delay in bringing forward legislation to ban landmines, it emerged yesterday. Mr Cook is keen to see the ban made law at the earliest opportunity to underline his commitment to an "ethical" foreign policy. However, Mrs Taylor has warned that the government's legislative timetable is already packed and that MPs may already be forced to work into their traditional holidays in August. George Parker

LONDON MAYOR

Low referendum turnout feared

London's first elected mayor could be undermined by a low turnout in Thursday's referendum in the capital, according to an influential business lobbying group. Stephen O'Brien, chief executive of London First, said: "Anything less than a 50 per cent turnout will send out a signal that Londoners are uninterested in the future of their city." The referendum will ask Londoners whether they want a directly elected executive mayor and a new Greater London Authority. "Unless we turn out in force to vote Yes, we risk undermining the legitimacy of the mayor," Mr O'Brien said. George Parker

BANKING REGULATION

Plan for meetings with auditors

Banking supervisors are to hold regular private meetings with bank auditors to make sure they have an opportunity to talk candidly about any problems they may have uncovered. Accountants already have a legal duty to pass on some kinds of information to banking supervisors, but the new procedure is intended to make it easier for them to discuss any concerns they may have about a bank. Plans for the bilateral meetings are contained in new rules to be issued by the Bank of England this week. Supervisors currently meet a bank and its accountants tripartitely; in future this will be followed by a bilateral meeting without the bank. George Graham

SIEMENS
NIXDORF

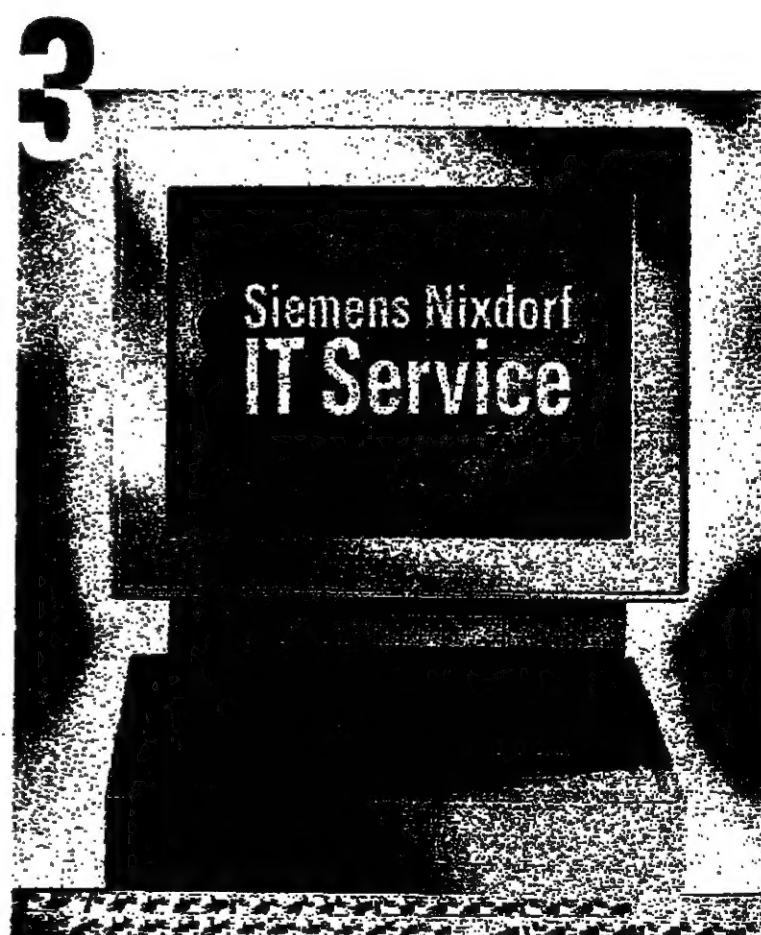
Let your potential grow...

Today's new technologies are offering an ever-expanding variety of increasingly complex options for creating a modern DP system. But the key to a powerful IT infrastructure lies in the way it's designed and planned. And it takes highly specialized expertise to select the right foundation, the one that will be best suited to your individual needs, both today and tomorrow. It's a challenge that your own DP team often enough can't assume in addition to their regular duties.



with Siemens Nixdorf IT Service...

The partner who implements and deploys your system is in the best position to know how it will have to be supported after it goes into production. And for subsequent modifications and extensions, too, you'll need a partner who can accompany and help shape the processes. A partner who possesses the competence and experience that are needed to offer single-source service: from initial planning and project design to complete operation of your systems and networks.



for information technology without the thorns.

So you can concentrate on the challenges of your market and leave the planning and deployment of your systems and networks to Siemens Nixdorf IT Service. Our specialists have the cross-vendor know-how that's needed to keep you on the right track from the very beginning. To assure you information technology without the thorns. For more information, simply fax this ad to us at +49-89-636-45579. Don't forget to add your name and address!

http://www.siemens-nixdorf.com

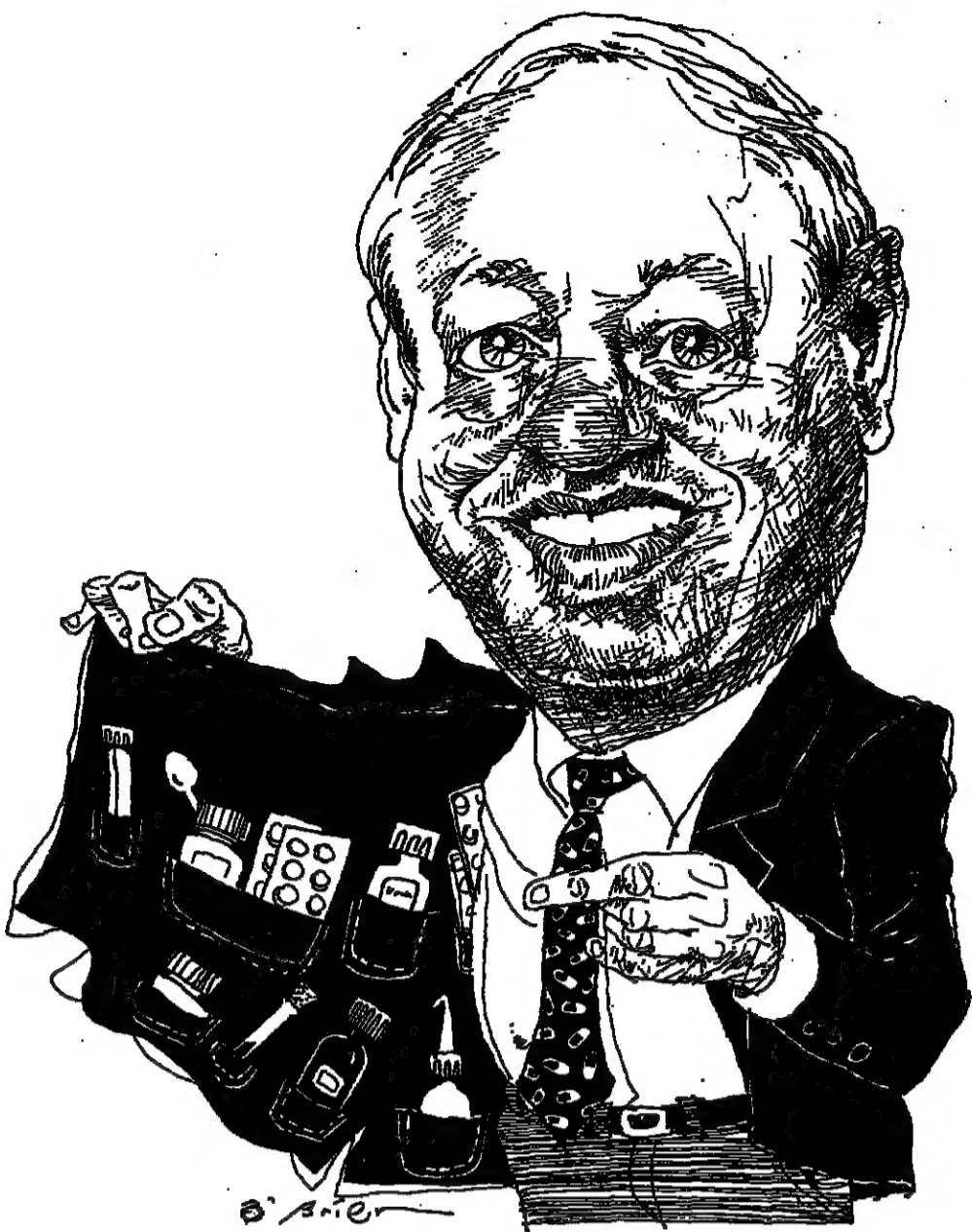
Siemens Nixdorf: User Centered Computing

INSIDE TRACK

PROFILE RAYMOND GILMARTIN, CHAIRMAN AND CHIEF EXECUTIVE OF MERCK

The case of a 'nice guy' who didn't come last

Tracy Corrigan talks to the chief executive who has defied the fad for mergers to build the world's largest drugs company



THE ESSENTIAL GUIDE TO RAYMOND GILMARTIN

Early life: Raymond Gilmartin was born in Sayville, New York, in 1941 and grew up in Long Island, where his father was a construction foreman.

Education: After a first degree in electrical engineering at Union College in Schenectady, New York, he took the traditional path for the aspiring modern American businessman: a Harvard MBA, completed in 1968.

Career: Straight out of college in 1963, he joined Eastman Kodak as a development engineer. After

returning to college to get his MBA, he switched paths and became a management consultant at Arthur D Little. He joined Becton Dickinson, the medical devices company, in 1976 as vice-president, corporate planning, and rose steadily to become president and chief executive officer in 1989 and later chairman. During his time at the company he learnt how to deal with the growing pressures created by the rise of managed healthcare companies in the US.

Merck: When he was recruited by Merck in 1994, a period of turmoil for both the company and the pharmaceuticals industry, it was his experience in dealing with America's fast-growing managed care industry that got him the job.

Affiliations: He sits on the board of General Mills and Valley Health System. He is chairman-elect of the Pharmaceutical Research and Manufacturers of America and chairman of the Healthcare Leadership Council.

Four years into his reign at Merck, Raymond Gilmartin has pulled off a coup. Without recourse to big mergers or acquisitions, Merck is once again the world's largest drugs company in terms of both prescription drug revenues and market share.

In an industry where the logic of consolidation - fragmented market share, high cost of research and a global marketplace - has seemed compelling, Mr Gilmartin's aversion to the mega-deal could have been a spectacular mistake. In 1996, the merger of Glaxo and Wellcome had catapulted the merged UK company to the top of the heap. But last year Mr Gilmartin's preference for internally generated growth paid off when sales and net income growth rates reached three times the level of Glaxo Wellcome's, propelling Merck to the top slot.

Even the aborted plan to merge Glaxo and SmithKline Beecham earlier this year would not have put Merck at any disadvantage, insists Mr Gilmartin. To emulate such a merger "would not fit with our strategy for growth", he told staff shortly after the companies announced merger plans.

His view on the critical mass of a company is that: "It's your competitive position by therapeutic category, not how big you are in total [that counts]."

He questions some of the logic that has driven deals. He takes issue with the idea that throwing money at research necessarily produces better results. "We have never spent the most on research, yet we have a pretty strong record of introducing breakthrough drugs in each category," he says.

His strategy is simple to find: world-beating drugs and sell them. Merck is looking for "unique-in-class drugs, in large markets, that really make a difference to patients". Execution is, of course, everything. "In some respects it's a risky strategy

because we are going for breakthroughs," he admits. But the nine drugs introduced in the past two years, plus the five to be launched this year, represent "more important new drugs in that time than at any time in Merck's history".

Critics wonder whether this will be enough. In about four years, Merck faces a potential slump in earnings when the patents for several blockbuster drugs expire. "Its past success is its biggest enemy," says Hemant Shah of HKS, an independent analysis company. "In 1997, Merck had drug sales of \$14bn, and a big chunk of that will come off patent." The new drugs it has launched so far do not look as if they will plug the gap, Mr Shah argues.

Whatever the outcome of future challenges, few would contest Mr Gilmartin's success thus far. "He has made the company more aggressive, more flexible and more responsive to new markets," says Mr Shah.

Mr Gilmartin's greater emphasis on marketing and sales has been an important change, according to Mariela Haggard, pharmaceutical analyst at Deutsche Morgan Grenfell. "We have seen Merck become much more aggressive, especially in direct-to-consumer advertising," she says. She cites the campaign for Zocor, a cardiovascular blockbuster, which showed a grandfather teaching a child to ride a bike.

Back in 1994, people were less glowing about Mr Gilmartin. Merck's appointment of the head of a relatively small medical devices company with no experience in the drugs industry was controversial. Mr Gilmartin says he initially told the headhunter who called him that he was not interested in running a larger company and was reluctant to leave Becton Dickinson, where he then worked. Even when he found out that the company in question was Merck he continued to resist. After a few days

reflection, realising that Becton Dickinson was not about to collapse without him, he relented.

Mr Gilmartin coped with his ignorance about pharmaceuticals by being frank about it. He spent the first month in the job "with 35 to 40 senior people in the company saying: 'What are the major issues? If you had my job, where would you focus your attention?'"

When he joined Merck, drugs companies were preparing for an expected onslaught on prices, in particular because of the growing role of the US health maintenance organisations, which now

'He has made the company more aggressive, more flexible and more responsive to new markets'

run the health plans of most Americans.

As the head of a medical devices company, Mr Gilmartin had already grappled with the transformation of the industry. In his own words he "cleared the decks for action" by selling the company's generics business, before spending money to expand Merck's salesforce. Rival companies, meanwhile, were taking the opposite approach, cutting costs by slashing sales staff on the grounds that armies of sales people would not be needed to deal with large, managed care companies.

"The medical devices industry had been through similar change," he explains. His thinking was "let's go after managed care aggressively, let's think of big picture-type stuff. What's driving the growth of the industry is innovation... not price."

The strategy has been vindicated. Sales growth has accelerated and in the past two years other pharmaceuticals companies have been frantically hiring sales people.

Yet Mr Gilmartin's success has not bred resentment. He appears to be well-liked, both in the industry and on Wall Street. And in person, in Merck's elegant modern headquarters in the New Jersey countryside, he is friendly and relaxed.

"He has a very informal and personable demeanour. He really is a pleasure to talk to," says Ms Haggard. "For the CEO of the largest pharmaceuticals company in the world, he is very down-to-earth and approachable."

But is the man Business Week called "Mr Nice Guy with a mission" too good to be true? When asked how he found the corporate culture when he first joined Merck, he says rather smugly: "I fit in very well with the Merck culture, because it has a very high commitment to ethics, so that was very comfortable."

Mr Gilmartin reiterates with almost irritating regularity a famous company dictum that medicine is for the people, not for profits.

He is proud of Merck's record in this respect. He cites the example of bringing Crisidin, the AIDS drug, to market. These are "the things we aspire to", he says. "Merck started building a plant before we had all the clinical data, and priced the drug at a level significantly below the others. We built the plant in record time. In 1987 of snow [in the 1986 blizzard] everybody got out with a shovel."

Still he is equally driven by business logic. Mergers may be good at "creating redundancies and growing earnings per share, but the combined company still faces the challenge of how to grow the top line," he says.

Provided Mr Gilmartin goes on boosting sales and profits as the patents on Merck's best-selling drugs expire, his shareholders will be more than happy to let him continue going it alone.



LUCY KELLAWAY

The 'same difference'

Few British companies appear to have any idea what diversity signifies even though the fashionable claim to have embraced it

Diversity, in case you had failed to notice, has arrived in the UK. American companies have been feverishly managing diversity for some time, but now British companies are doing it too. Few people seem to know precisely what it is: fewer have any idea why they are managing it. But that does not matter: the great thing about managing diversity is that companies can keep on doing exactly what they were doing already; all they need do is rename their policies.

Consider the European arm of a vast US multinational. It has just issued a policy initiative called "Gender Diversity Improvement". How many genders does it have in mind? Is it giving job breaks to transsexuals, or what? Peel away the verbiage of this brand new policy and you find that the company has no new ideas at all: it is simply wheeling out all its old ones. The memo is about increasing the number of women managers and the tools are the same as ever: targets for the number of women at senior levels, work breaks for mothers, and all the rest of it.

The reason diversity is so fashionable is because equal opportunity is so out of favour. That is a shame as it is a good label that means something precise. The problem is that it has become associated with unsuccessful policies and militant behaviour - but remaining it is not going to solve any of that.

Fans of diversity will tell you that they are talking about something new: more than equal opportunity. It is about the individual, not the group, and about improving the lot of everyone. Yet most of that is only talk: nearly all the new policies look exactly like the old ones. The most irritating thing

about diversity is that it is taken as a self-evidently good thing. In the UK, diversity - in its broadest sense - does not seem to be good per se. It may be good for a company to go out of its way to hire people of different backgrounds, ages, races and sex - or it may not be. And if it is good, the reason may vary from one company to another. Maybe it helps them hire the best people. Maybe it is important in terms of PR. Maybe it matters because people with different backgrounds have different ideas. Yet most companies signed up to the diversity idea have not given the matter much thought.

But for those companies where most of the employees are white 30-something Oxbridge males there may be nothing to be ashamed of. Diversity is not always good - uniformity in the right business setting can have much to be said for it.

Do people return your calls? If you happen to be a headhunter, they probably do. If you are the chief executive, your underlings doubtless ring you back on

the double. But if you are a double-glazing salesman you are more likely to win the lottery than get people to return your calls.

In between is a vast grey area: the hundreds of thousands of business messages that are left on voicemail every day by people of whom the caller has never heard. How many of those get returned, and which ones? A straw poll suggests people are pretty unscientific about deciding which calls to return. Anyone who leaves their name and number at both ends of the message has a better chance of being called back. Anyone so long winded that they can't squeeze in the full message before the pips has blown it. People who have authoritative voices are more likely to get through, as are persistent callers.

Anyone who says that they will call again should not expect a return call, as there is no point in calling them if they are about to call you. Or maybe it is simpler than that. Geraldine Sharpe-Newton - a former vice president at CNN - was quoted in the FT last week saying that people returned her calls because of her double-barrelled surname. And all this time I thought people did not call me back because they did not want to talk to me. From now on,

my name is Lucy Sharpe-Kellaway.

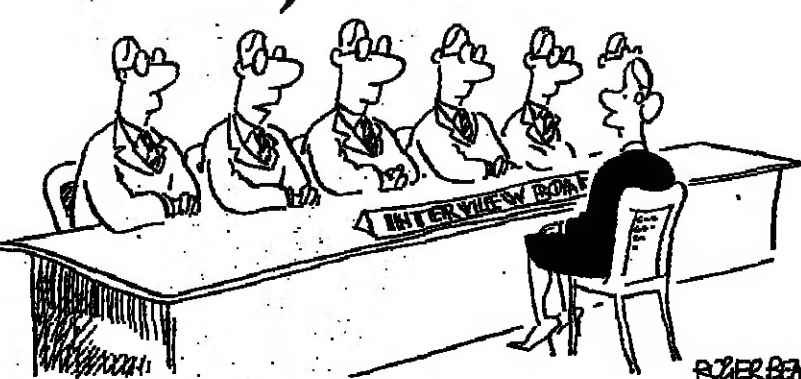
Companies have bodies, minds and souls. This startling observation is the result of a grand collaboration of global business and government brought together by SRI Consulting. The old way of managing, so they tell us, was to concentrate on the body: the physical assets. The current way is to manage the mind: the knowledge. But in future, companies will manage the soul: trust.

So far, so trendy. We all know that trust/culture/reputations are important in business - but to present it as the idea is silly. Businesses do not have souls. They are money-making entities. Making money is hard and companies have to take lots of different things into account.

The report has also come up with a great new equation showing exactly how important trust is in global competitiveness. It goes like this: (Customer focus + Value network management) x Agility Trust = Stakeholder benefits.

So now you know. There can be no excuse for sluggish performance in the future. Get to it!

WE ARE COMMITTED TO DIVERSITY HERE AT NEWTON BROS & SON. WOULD YOU HAVE A PROBLEM WITH THAT?



Europe's Perfect Perch for Global Business.

If you want to do business in Europe, don't let our location fool you. Madeira is a region of Portugal and the people of Madeira have a passion for international business that dates back centuries. It's this passion for quality service and cost-efficient operations that is making Madeira's new international business centre such a success.

Here you'll find over 2,000 companies in financial services, international services and shipping, as well as in manufacturing for Europe and the world

within an industrial free trade zone. And the advantages are nothing but special. So get a new vantage point on Europe from its perfect perch for global business. Come to Madeira.

Madeira
Where Global Business is a Way of Life



SDM - Sociedade de Desenvolvimento da Madeira, S.A.
Rua da Mouraria, No. 9-11, P.O. Box 4164
9032 FUNCHAL, CODEX-MADEIRA-PORTUGAL
Tel: (351-91) 201333 Fax: (351-91) 201399

For information on Madeira and how we can help your business, write or fax us at our address. You can find us on the Internet at <http://www.sdmadeira.pt/> E-mail sdm@sdm.pt

INSIDE TRACK

PAUL ABRAHAMS
FILE FROM TOKYO

Sign of the crimes

Theft and violence are increasing in Japan, but that's the way the croissant crumbles

We were burgled last week. My wife was opening the front entrance to our house when she heard someone clattering out through the back door. The burglar's pickings were meagre - about \$40 in cash left over from a visit to the US. Particularly weird was the fact the unwanted visitor appeared to have taken a bite out of two croissants in the kitchen, and then put them back in their bag.

In most countries a burglary would not be noteworthy - despite our thief's apparent predilection for croissants. But we live in Japan, a country where crime is supposed hardly to exist.

What quickly strikes foreigners is how honesty permeates every level of this society. John, a ticket tout from Manchester, told me at the Nagano Winter Games in February that he had been astonished by Japanese behaviour. "In Barcelona, we really had to be careful. Here it's been amazing. I dropped my wallet the other day. I won't tell you how many millions of yen were in it - but it was my entire takings from the Games. I hadn't even noticed it had gone, when this man came running up with it. He wouldn't accept a reward."

John was right. The honesty of the Japanese has been legendary and well justified. There can't be many countries where the post office insists that cash sent by mail is inserted into a special envelope marked "cash" and the amount inside must be written on the outside.

Nor are there many nations where cars parked illegally are often left unattended, not only with the keys inside but with the engine running.

The Tokyo subway system must be one of the safest in the world. If you leave a briefcase on the Yamanote line - the equivalent of London's circle line - you can almost always pick it up

an hour later when the train completes its loop.

On a Friday night salarymen will often fall asleep on the platform after a sake session, and will wake with their wallets and belongings intact.

In Japan the policeman from the local station or *Koban* makes regular visits to each household. Within weeks of our arrival, he came to our home. He already knew our names. With such impressive intelligence, we were scarcely surprised when he told us there was no crime in our neighbourhood. Since the burglary we haven't seen him again.

In fact our burglary was not as unusual as we thought. Crime is on the increase in Japan. In 1997 there were 1,865m thefts in Japan, against 1,375m a decade earlier. Much of the rise has been recent - last year's increase was nearly 5 per cent up on 1996.

When the police arrived - with impressive speed and in prodigious numbers - their first question was whether the burglar was a foreigner. To their disappointment, my wife confessed the miscreant was certainly north-east Asian, and probably Japanese. The public here has a tendency to blame foreigners for crime.

But in reality, theft is much more likely to be committed by a Japanese than a member of the tiny foreign community, which barely represents 1 per cent of the population.

There has always been some crime in Japan. Certain belongings, such as bicycles and umbrellas, have always been socially acceptable to steal - witness lockable umbrellas racks outside department stores.

But the rising crime rate is a reflection of the broader changes in Japanese society. Part of the reason is unemployment, now at 3.9 per cent - hardly high by international standards -

but the worst since records began in 1853.

But more worrying is youth unemployment, currently running at 7 per cent. The attitudes of this generation appear very different from their predecessors. Hard-working parents of the post-war generation were conformist, sacrificing to build a new Japan. They were often so busy they left the instillation of values to their children's teachers.

This system appears to be breaking down. Bullying, truancy and juvenile delinquency are increasing. Violence at schools, once unthinkable, is now regularly reported. The ritual decapitation of an 11-year-old by a schoolboy in Kobe was only the most horrific of a series of killings committed by children. In January a 13-year-old in Tochigi prefecture fatally stabbed his English teacher.

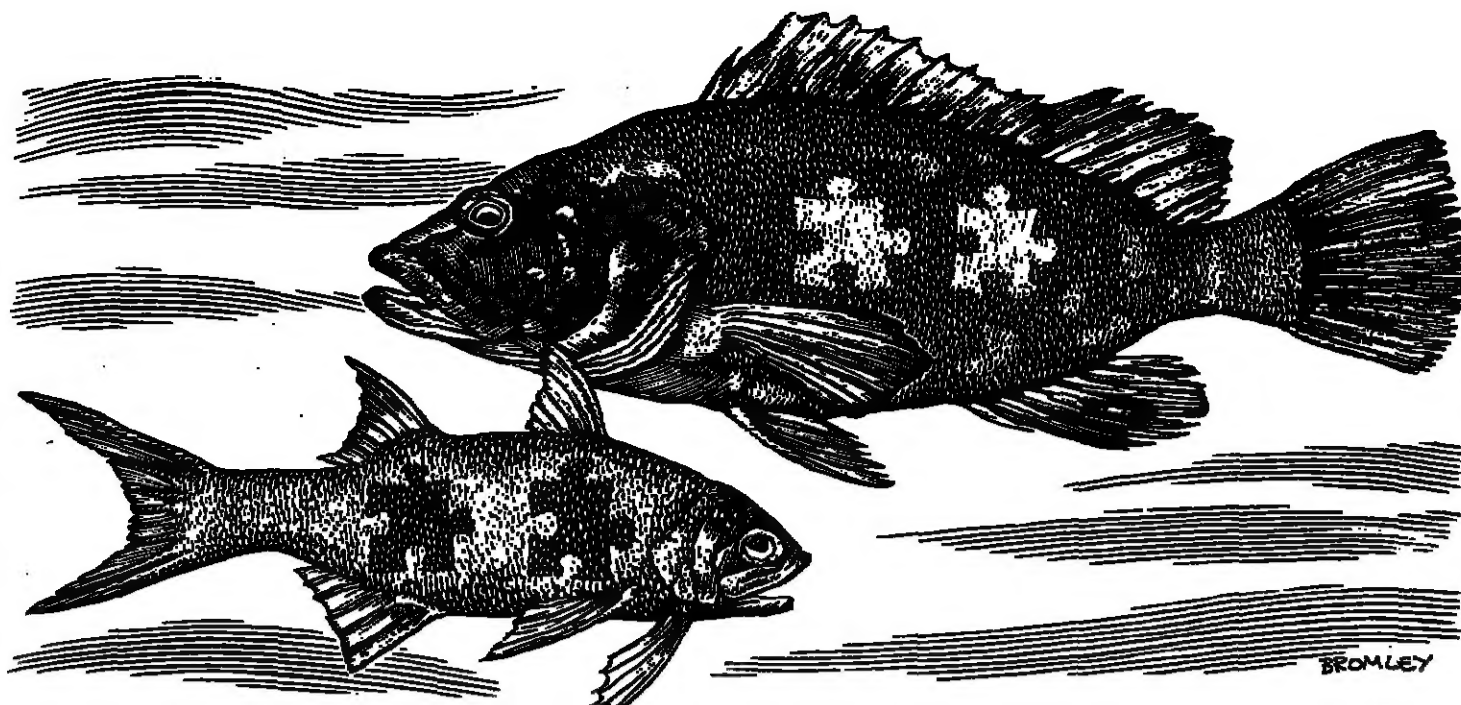
That said, the increase in crime in Japan should not be overstated. In international terms this is a safe society.

During 1996 there were just 177 burglaries per 100,000 of population. That compared with rates of 943 in the US and 2,270 in England and Wales. Japan is also not violent. The murder rate per 100,000 of population is 0.97 compared with 7.4 in the US.

The low murder rate is readily explained by the absence of guns, the relative cohesion of Japanese society and the police's impressive arrest rate.

Certainly the six policemen who rushed to our home were impressively efficient. They quickly discovered where the burglar entered, took photographs of the footprints and searched the house for fingerprints. The only disappointment was that they didn't take casts of the croissant bite marks.

So far no arrests have been made. However, this week another croissant with bite marks was found, together with a half-chewed apple. This time we didn't ring the police, we called the rodent exterminators.



MANAGEMENT BOOK REVIEW SYNERGY

1+1 should be more than 2

SYNERGY
Andrew Campbell
and Michael Goold
£18.99
Capstone

Somehow or other, the notion of business synergy seems to have slipped out of fashion. There was a time when it was trotted out to justify every over-priced acquisition. But in recent years even the most acquisitive bosses have tended to fight shy of "the S-word".

One can see why. As Mark Sower, a US academic, put it last year in his book *The Synergy Trap*, the book created by an acquisition equals its synergy minus the premium paid to the market price. In layman's language, screw up on synergy and

you destroy value. No wonder so many recent mega-deals have been billed as mergers without premium.

But there is more to synergy than the takeover game.

Mostly, it happens within companies themselves. Each time two business units combine to buy cheaper stationery, or work together on a new product, they are at least trying to create synergy.

Obviously, management should seek out such opportunities and make sure the businesses exploit them. Or should they?

Think of it this way, say Andrew Campbell and Michael Goold in *Synergy*. The managers of business units are there to make money. If there is money lying on the table, why do they not get together and pick it up? And if not, how likely is it that head office can spot opportunities they are missing?

In a sense, the authors - both strategists at the UK's Ashridge management school - have been here before. In last year's *Breakup!*, Mr Campbell and others argued that multi-business companies are worth more dead than alive: that the burden of proof lies with head office to justify its

existence, let alone its authority.

The argument this time is less clear-cut. As the book recognises, some companies - such as Unilever, Canon, 3M - are rather good at

realising value by getting their businesses to work together. What secret do they have that others lack?

Let us start with why companies fail. Head office managers are driven to seek synergy where none exists, Mr Campbell and Mr Goold argue. On the one hand, they are taught that creating synergy is the main part of their job and that it will not happen without their help.

But they seldom ask whether they have the skills to bring synergy about that, after all, is supposed to be part of their job. Nor do they ask what it might cost to impose synergy from the top, in terms of damage to morale or the fact that the business managers might have better things to do with their time.

It might seem intuitively obvious that subsidiary A should take more of its supplies from subsidiary B, or that the German company's best-selling chocolate brand should be rolled out by its sister company in France. But to avoid mistakes, head

office needs to ask itself some basic questions.

The easy part is establishing whether there really is money to be made, net of the costs to the businesses. The hard part is establishing why it is not being made already and, if there is a blockage, whether head office can remove it.

In some cases, it plainly can. Perhaps the group as a whole is bad at internal communications, so that managers may be genuinely unaware of opportunities. One answer is to ensure, as Unilever does, that managers from around the world are regularly brought together, to get to know each other and exchange news and gossip.

Or perhaps the culture produces divisional barons, jealousy guarding their territory, as in the old ICI. Or maybe the heads of two businesses cannot stand each other personally, or are rivals for the top job and will not work together at any price.

Another problem could be that the benefits and costs are not evenly shared. For instance, if synergy involves business A shutting a factory so that the work can be transferred to business B, The heads of business A will

naturally resist: especially if the incentive system means they get penalised for the drop in their business.

At the extreme, the answer to this may be to merge the businesses. That brings us to a point that the book only touches on. Synergy is, by definition, the co-operation between separate business units. But why are the business units carved up that way in the first place?

The argument can be taken a step further. All organisations tend to fall into social groups, which may or may not follow functional lines: marketing versus engineering, the Swiss versus the Italians, Oxbridge graduates versus the rest.

One begins to see what Jack Welch of General Electric means by the "boundaryless" organisation. If companies ceased to have internal boundaries, the concept of synergy would lose its meaning. But that, perhaps, is the subject of another book.

Available from FT Bookshop by ringing Freecall 0500 300 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK.

Tony Jackson

HEALTH SURGERY

On the trail of a blood relation

Nicki Brimicombe on alternatives to using pig offal to stop blood clots

As you are wheeled down the hospital corridor towards the operating theatre, spare a thought for the pigs that have died so that you might live. The chances are you will be given the blood thinning agent heparin to stop clots forming during the operation.

At the moment, this complex polysaccharide is derived from pig offal but a synthetic version could be available shortly.

Heparin is a natural product, made in animals and humans through a series of reactions controlled by enzymes (biological catalysts). In humans, heparin is made by specialised cells called mast cells and it is kept within them, being liberated only when the body is subject to extreme stress.

Heparin's most important application is in surgery, where it helps reduce the risk of pulmonary embolism - when potentially lethal clots obstruct blood flow through the lungs. Heparin is also used to prevent coronary thrombosis, where blood clots lead to heart attacks, and in stroke victims to stop secondary clots forming in the brain.

World heparin sales are worth more than Ecublun (£650m) and demand is growing.

Heparin was originally extracted from bovine lung tissue, but today the main source is pig intestinal mucosa. However, the first synthetic version of heparin could soon be available, says Professor Ulf Lindahl of the department of medical biochemistry and microbiology

at Uppsala University in Sweden.

"At the moment, there is a shortage of pig intestinal mucosa," says Prof Lindahl, who has been working on heparin since 1987. "Even if there was enough to meet demand, I believe that animal-derived heparin is increasingly unacceptable. As we understand more about the link between diseases like BSE [mad cow disease] and CJD [its human equivalent], it is only a matter of time before we discover the first pig virus or prion [a disease-causing protein like the agent linked to BSE], which has implications for human health."

Also, the way heparin is taken from pig cadavers generates environmentally harmful waste that is expensive to dispose of, he says. Prof Lindahl's team is working on three heparin-related projects with universities and institutions in the UK, Italy and Sweden and two small, specialised drug companies: BioTie Therapies, based in Turku, Finland, and Inalco, in Milan.

The first project aims to make synthetic heparin using a combination of

'There is a shortage of pig intestinal mucosa. Even if there was enough I believe that animal-derived heparin is increasingly unacceptable'

chemical and biotechnological transformations. The team intends to use a simple precursor polysaccharide derived from a specific species of *E. coli* bacteria as the primary raw material. The bacterium makes the polysaccharide to build its protective cell capsule.



Under the knife: Surgeons may soon use a synthetic blood-thinner Science Photo Library

Researchers from the department of biological sciences at Manchester University have succeeded in introducing genes directing the overproduction of this heparin precursor. The next step is to harvest the polysaccharide and convert it into heparin via a series of enzyme - and chemically-controlled reactions.

"We have already identified most of the enzymes implicated in this transfor-

The other two projects involve an alternative approach to heparin synthesis and research into closely related groups of polysaccharides called heparan sulphates. All mammalian cells make these compounds and Prof Lindahl believes they hold great therapeutic promise.

"Heparan sulphates interact with specific proteins to control important processes including cell proliferation, differentiation and adhesion," he explains. "Their central role in cell interaction and multiplication means they could be harnessed to address cancer and inflammatory diseases like arthritis."

Prof Lindahl says natural sugars are more attractive drug candidates than proteins. "The human therapeutic potential of many animal proteins is hampered by the fact that they are immunologically distinct. This means they cause an immune response when introduced into the human body. Sugars, like heparan sulphates, by contrast, are

not species specific, so heparan sulphates made in a hamster cell, for example, are not recognised as foreign and function equally well in humans."

Heparan sulphate and heparin share many common building blocks and Prof Lindahl's team is evaluating ways of making these important compounds using completely biological routes. It aims to introduce into cultured mammalian cells the genes that stimulate high production of the enzymes that control the making of heparin and heparan sulphate.

These cells would then be used as "mini biological factories" to make large quantities of these important sugars. This is a long-term project, but Prof Lindahl believes it could produce compounds that will interest leading drug companies.

The three projects are supported by European Union funding totalling more than £1.2m. Contributions by the participating groups bring this figure to more than £2m.

TIM JACKSON
ON THE WEB

The global route limited to the locals

Online broking is proving to be one sector of e-commerce that is not unique to the US

Every so often, a column devoted to business trends on the internet will cover services or products only available in the US.

Such is the case with Priceline, the "buyer-driven commerce" web site that was the subject of my last column (On the Web, April 20). It allows people in the US to "bid" for a discounted air ticket instead of simply taking the published prices on offer.

Several angry FT readers e-mailed me to complain they had not been able to use the service. Their

complaint was well-founded: a London to Paris return, for example, is not available from Priceline. But in another industry - online broking - the outlook seems brighter for non-Americans.

This year, consumers in at least three different countries will be able to buy and sell shares over the internet. Those countries are the UK, where the British subsidiary of Charles Schwab, the US discount brokerage, has launched its first full internet service; France, where a venture-backed start-up called SelfTrade plans to offer broking to local investors by internet, Minitel and telephone; and Israel, where a local affiliate of E-Trade, the pioneering internet broker from California, is preparing to open its doors. (Declaration of interest: an investor in a company that I work with is also an investor in E-Trade Israel.)

It may seem counter intuitive for businesses such as online broking to be local rather than global. Part of

the reason is non-compliance with settlement systems in different countries, which can make it harder to transfer economies of scale.

But there is another reason why online brokerage is likely to develop locally rather than globally. In the UK, regulators have already flexed their muscles by forcing E-Trade to divest its local customer base as punishment for an infraction of the advertising rules.

At first sight, the online broking industry offers an opportunity to export a proven business model outside the US. But things may not be so simple. First, the pool of retail investors who make frequent trades is far smaller outside the US. According to Charles Beigbeder, a founder of SelfTrade, half of France's 6m retail investors own only privatisation stocks. Things are a little more promising in the UK. Guy Knight, at Schwab Europe, says 56 per cent of Schwab's 450,000 active UK customers have PCs, and 35 per cent have net access, though only 14 per cent describe themselves as internet users.

Compared with the US, these numbers do not yet add up to a stable base for a large-scale business. A recent report from Credit Suisse First Boston claims that in the US AmeriTrade has 147,000 customers, E-Trade 260,000 and Schwab 4.8m (though the Schwab figure includes its non-internet users).

Costs are also higher outside the US. Mr Knight argues that the structure of nominee accounts in the UK, which obliges the broker to

act as a conduit between company and investor for annual reports, locks higher costs into the brokerage industry. There is also less automation outside the US; like the fairground robot that conceals a midge, many fancy web front ends funnel orders to someone yelling into a telephone.

Eventually, it is likely to be regulation that provides the greatest protection for local brokerage services. But that is why the business opportunity is different for start-ups and established companies building an internet business to complement their existing one. In Israel, for instance, currency liberalisation may mean that local investors can open bank accounts in the US and trade directly with US brokers. That will leave a higher-priced local service looking less attractive if its only counterweight is trading a small number of more thinly capitalised local stocks.

But there is a silver lining. Consistent with these higher costs, online brokers outside the US are likely to resist competitive pricing pressure for longer. Schwab in the UK, for example, has an internet tariff that is higher than its touch-tone tariff. To buy or sell about \$10,000 (£5,900) of stocks in the UK market, the company charges about \$40. The equivalent trade in the US would cost up to \$12.

So there is both good and bad news for the non-US customer. Service is more readily available, but not quite at the bargain-basement prices of the US. There are some things, it seems, that not even the internet can change.

tim.jackson@pobox.com

INSIDE TRACK

BUSINESS TRAVEL LOW-COST AIRLINES

Stansted's 'great catalyst' is go

Long-haul air traffic is no longer the Holy Grail of the industry, reports Roger Bray

When British Airways' low-cost air line, Go, takes off for the first time this month, the reflected glare of publicity will fall inevitably on its home base at London's Stansted Airport.

Time was when those who ran Stansted would have viewed the attendant belly-hoo as something of a mixed blessing. It is not good for an airport's image, after all, to emphasise its role as a jumping off point for budget travellers.

Besides, airlines such as Go do not "interline" with other carriers: a passenger from New York, say, who wants to fly on with it to Milan, must book the onward flight separately and check his bags in again between aircraft.

As a result, low-cost airlines do little to attract transfer traffic. And without the carrot of significant transfer traffic an airport cannot reach critical mass, drawing in long-haul airlines that need a wide range of short-haul flights to feed them business. A mere 5 per cent of Stansted's passengers change aircraft, compared with 40 per cent at Heathrow, and its sole long-haul routes are operated by El Al, which picks up fare-paying passengers there on services between Tel Aviv, New York and Newark (New Jersey).

So you might expect John Stent, Stansted's managing director, to be ambivalent

about the launch of BA's off-spring. Not a bit of it. Go is a great catalyst, he insists, that will strengthen the airport's appeal to higher fare carriers.

"People who have watched the way BA has expanded at Gatwick will see that it can make money out of operating at Stansted," he says.

Mr Stent concedes that he is pursuing "an appropriate balance" between such carriers and those which interline but says the old "Holy Grail" of attracting long-haul operators is no longer an obsession.

"Some local businessmen would like to see more transatlantic flights but the future of this airport over the next 10-15 years does not depend on attracting long-haul carriers," he says.

Go starts life with flights to Rome, Milan and Copenhagen on May 22 and 23 and June 5 respectively.

The other two low-cost services are Ryanair, which starts flying on Thursday to Venice in Italy, St Edenne in France and Kristianstad in southern Sweden. It will launch services on June 4 to Pisa and Rimini in Italy and to Carcassonne in south-west France, and Virgin Express, which starts a joint operation with Sabena to Brussels on May 17.

The Brussels operation is the odd one out, in that Sabena will offer fully flexible business class seats that can be booked as part of an

interlining arrangement. Despite this flurry of activity, Stansted's conventional airlines outnumber its cut-price operators by more than four to one.

On top of established carriers - the most prolific is KLM UK, the Dutch airline's regional subsidiary, which

people don't realise it, because compared with other airports it is so quiet in the terminal," says a spokeswoman. "At Gatwick you always hear noise, whereas here you only hear the person next to you talking."

Quiet does not mean mor-

'Even when we are busy, people don't realise it, because compared with other airports it is so quiet in the terminal'

operates to 13 of the airport's 50 destinations - the list of newcomers keeps growing. SAS has just started flying to Stockholm, and Norwegian carrier Braathens has switched its Bergen and Oslo services from Gatwick. Eurowings, a German carrier, recently began flying to Dresden. And RASE, a Dutch carrier, has started a service to Eindhoven.

With an 11.1 per cent increase in traffic in the year to March, Stansted is already handling slightly fewer than 5.5m passengers a year in a terminal built for 8m. BAA, the airports operator, has outline planning permission to increase that to 15m, a target it expects to attain in 2006. Expansion beyond that will demand another, more-than public inquiry.

"Even when we are busy,

tional travellers will then be shuttled there by "people mover" trains.

SAS is fitting out a lounge for its premium class passengers, a prospect that will have cheered Stansted's management. Budget travellers may be a fact of deregulated life, but big spenders are still welcome.

How to get there: The "Skytrain" service to and from London's Liverpool Street takes 41 minutes, runs every 30 minutes from early morning to late at night, and costs £30.40 return. The airport station is immediately beneath the terminal. Alternatively, if you are travelling to and from London's West End you can cut off a corner by changing to the Victoria Line at Tottenham Hale. That is usually the only stop, though some trains stop at Bishop's Cleeve to allow connections to other local stations and to Cambridge.

Taxis: Expect to pay £50 between Stansted and the City. The trip takes 45 minutes in moderate traffic but up to 1hr 15min when the roads are congested. You can book and pay by credit card with Stansted Airport Cars, which has a desk on the concourse. Car rental: Hertz, Avis, Budget, Europcar. Car park prices: short term ranges from £1 for 30 minutes to £7 for 6-12 hours and £10 for 12-24 hours. Long term costs £5 for 24 hours - but tariffs have just been changed so that you do not have to pay the full fee if your stay extends into part of an extra day. Hotel reservations: Expotel has a desk that also hires out GSM mobile telephones.

Hotels: The Hilton is at the airport, close to the long term car park, with a courtesy bus to and from the terminal.

Eating/drinking: Land-side: Bewley's Restaurant, Burger King, Butlers Café Bar, Costa Coffee, Manhattan Coffee Cart. Airside: Butlers Bar, Costa, Granary self service restaurant. Airport inquiries: tel: 0345 118118.

www.FT.com

TIME ZONE EFFECTS RECENT REMEDIES

Bright light on jetlag

Everyone has an idea but no one has a trustworthy cure, says Farrol Kahn

Jetlag is increasing among business travellers, owing mainly to the introduction of long, non-stop flights of 14-16 hours.

"We're seeing a lot more jetlag today than ever before," says George Remington, senior medical adviser at Marks and Spencer, the retailer. "The body is subjected to a longer period of physical insult because of less oxygen, low humidity, time zone changes and time pressures."

Everybody has a remedy, from brown paper bags in the socks to chemicals. A recent development, from Cornell University in the US, involves shining bright light at the back of passengers' knees. The idea is to change biological rhythms and synchronise the body clock to destination time.

But no one has a cure. Most business flyers tend to

get over time zone effects by a combination of high adrenalin while on the ground, and sleeping in flight.

A more scientific solution may be to seek help at a jetlag clinic, with a customised service and options such as medication, light visors, herbal treatments and autophysics.

David O'Connell, a family GP, runs a jetlag clinic in Chelsea, London. He has reviewed the data and uses updates on treatments. "There is a definite difference between the way the two sexes handle jetlag," he says.

"Men tend to approach jetlag in a macho way by denying that the condition exists. It is a taboo illness for them and if they admit to the problem, they would get a reputation for being unreliable at the workplace."

"Whereas women tend to

be more honest about the condition - but then they have more at stake, because it can affect their menstrual cycles," he adds.

One useful medication, according to Dr O'Connell, is melatonin, which helps regulate the body clock. It may be supplied by doctor's prescription in the UK.

Another strategy is to devise a flight plan that fits a passenger's medical history and requirements. This enhances the body's synchronisation by a combination of factors to stimulate wakefulness or sleep. A consultation at the Chelsea clinic costs £60 and a travel plan costs £20.

The ultimate cure for jetlag, however, is to fly Concorde or not at all, delegating other travel.

Jetlag Clinic, Chelsea, London. 0171-584 9779. The author is director of the Aviation Health Institute, 8 King Edward St, Oxford OX1 4EL.



TRAVEL UPDATE

Service speeds recovery of lost baggage

A service to help business travellers retrieve lost luggage more speedily is to be launched by a group of 280 independent UK travel agents. The agents, members of the Advantage consortium, will provide customers with bag tags which, if the luggage is lost, will alert the airline to contact Travel Helpline, a 24-hour service based in New York. Travel Helpline will have a detailed record of the passenger's itinerary and will get in touch with them to arrange for their luggage to be returned.

"This is not intended as a substitute for the carriers' own efforts," says Norman Gage, of Advantage, "but if something goes wrong - if the airline bag tag gets torn off perhaps - it is intended as a back-up to make sure our customers get their luggage back as quickly as possible."

Defibrillators for US flights

The trend among airlines towards carrying defibrillators, which may be used to help passengers suffering heart attacks, gathers pace next month when American Airlines starts to equip its domestic fleet.

The devices are already available on its overseas flights. Although not effective in every case, defibrillators may be used to restore the heart's regular rhythm. American says that by the end of this year it will have trained all its 20,000 cabin crew to use the machines, which include voice prompts. The equipment also provides a visual analysis of the patient's heartbeat, helping any doctor who happens to be on board to assess the problem.

New hotel for Ho Chi Minh City

Marriott will open a hotel in Saigon, officially known as Ho Chi Minh City, on June 1. It will have 349 rooms and suites on 21 floors, a rooftop gymnasium and swimming pool, and sweeping views of

the city and the Saigon River. The chain has also announced that it will take over management of the Grand Hotel Flora on Rome's Via Veneto early next year. The 160-room property will be a century old next year. It is undergoing a facelift, including the installation of a business centre.

Cincinnati/Tokyo service planned

Delta, the US airline, plans to launch services between Cincinnati and Tokyo's Narita Airport on October 28. There will be one stop en route in Portland, Oregon, where the aircraft will spend about two hours on the ground in each direction. Flights from Cincinnati will depart at 9.30am and arrive in Japan at 4.25pm the next day. Return services will leave Tokyo at 6.35pm arriving in Portland at 10.25am and Cincinnati at 7.50pm. The airline will start daily, non-stop flights from Atlanta to the Japanese capital on June 3, and from Portland to Osaka and Fukuoka in the autumn.

Just the ticket for BA flyers

British Airways is extending electronic ticketing to most of its transatlantic flights from London Gatwick. Instead of customers having conventional tickets, they may book by a credit or loyalty card that will be read by machines being installed at check-in desks. The airline has begun taking bookings for ticketless travel on flights from May 11 to San Diego, Phoenix, Houston, Dallas/Fort Worth, Atlanta, Orlando, Charlotte, Baltimore, Bermuda and Pittsburgh. Denver will be added to the list when BA starts flying there non-stop on June 1. The system is described as a trial, but it is expected to be extended in October to cover all the airline's transatlantic services to US gateway airports. Ticketless travel may be booked through agents in the UK but will not be available that way in the US until early next year.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	21	22	23	24	25
Hong Kong	28	29	30	31	1
London	14	15	16	17	18
Frankfurt	15	16	17	18	19
New York	17	18	19	20	21
Los Angeles	25	26	27	28	29
Milan	17	18	19	20	21
Paris	14	15	16	17	18
Amsterdam	15	16	17	18	19

Most Read. Best Read. Worldwide.

BusinessWeek

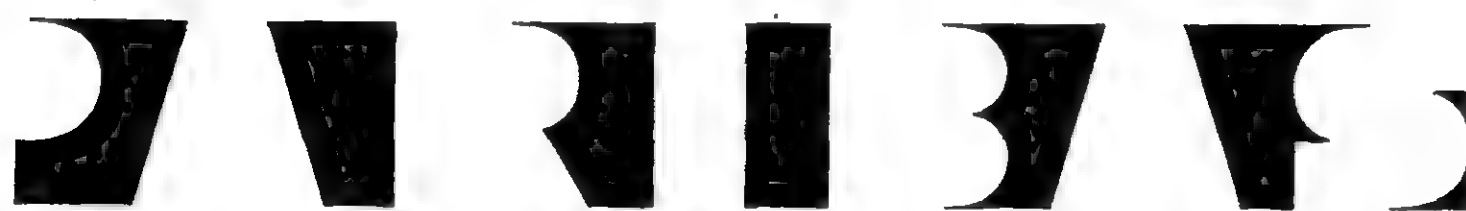
www.businessweek.com

Online news and information plus the chance to win British Airways flights or a Psion hand-held computer

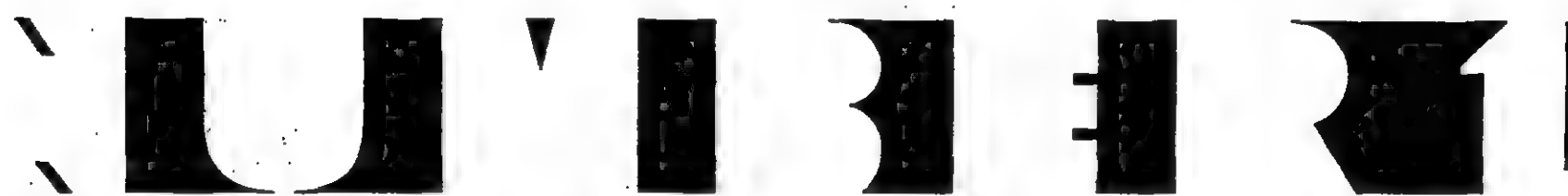
JPY 101.50

This is a simple test of your perceptions.
What do you see?

Think of a bank. Not just any bank.



Think of a number between 1 and 10.



Now what is the most important issue in European finance today?



If all you see are shapes, hold this page up to the light,
and read between the lines.

ment deals reach
level of \$7bn

over delay to be

turnout fear

with cost



technology
OS

computing

GET YOUR MIND
WORKING WITH
PARIBAS

PARIBAS No.1 IN EURO
WITH 30% MARKET SHARE

Other banks claim leadership.

But when you read between the lines, the supremacy
of Paribas in all matters relating to the Euro is obvious.
Perceptibly so.

First Supranational in Euro

First Sovereign in Euro

First emerging market credit in Euro

First non-European issuer in Euro

First convertible in Euro

First Corporate in Euro

First Global in Euro

First syndicated FRN in Euro

Largest fixed rate Eurobond

No.1 Euro Swap House

 **PARIBAS** Thinking beyond banking

مصرف باريس

THE ARTS

OPENINGS

GLASGOW

Tomorrow is the first night of Scottish Opera's new production of Tchaikovsky's *The Queen of Spades*, conducted by Richard Armstrong and staged by Yannis Kokkos. After five performances at the Theatre Royal, the production will tour next month to Edinburgh and Sunderland.

MILAN

Weber's *Der Freischütz* makes a rare appearance at La Scala on Thursday. It is conducted by Donald Runnicles (above) and staged by Pier'Alli, with Kim Begley as Max and Nancy Gustafson as Agathe. There are six performances.

LONDON

During the first half of the 17th century, Utrecht nurtured a group of artists who became indelibly associated with the Dutch Golden Age. An exhibition at the National Gallery brings together 79 masterpieces, highlighting the tradition of religious and mythological art sustained by the city's painters. It opens on Thursday and runs until early August.

Tomorrow the Berlin Staatskapelle gives the first of six Beethoven concerts at the Royal Festival Hall, in which Daniel Barenboim will play the piano concertos and conduct

the symphonies.

Sarah Kane, perhaps London's most scandal-mongering playwright of the 1990s.



presents her latest play, *Cleopatra*, on Wednesday night at the Royal Court Theatre. Downstairs at the Duke of York's. The director is James Macdonald.

Saturday Night Fever, the famous 1977 disco film, now arrives on the West End stage as a musical at the London Palladium. Adam Garcia (left) and Anita Louise Combe lead the cast; the production opens tomorrow.

AMSTERDAM

Bryn Terfel sings his first Scarpia in the Netherlands Opera's new production of *Tosca* at the Muziektheater on Wednesday. The title role is sung by Catherine Malfitano, and Richard Margison is Cavaradossi. Riccardo Chailly (right) conducts a staging by Nikolaus Lehnhoff.



VIENNA

The Vienna festival dominates the arts scene in the Austrian capital for the next six weeks. Luc Bondy opens his tenure as

festival drama director with a production of Oedipus Rex. Horvath's *Figaro* gets divorced on Sunday at the Theater an der Wien. Other highlights include

the world premiere of Botho Strauss's new play, directed by Peter Stein, and Cui fan tutte conducted by Riccardo Muti.

CLEVELAND

An exhibition of ancient Egyptian faience, ranging from cosmetic boxes to models of gods and hippos, opens at the Cleveland Museum on Sunday. It will travel to the Rhode Island School of Design in August and the Kimbell Art Museum in Fort Worth next year.

BRIGHTON

The main theatre event of this year's Brighton Festival opens on Tuesday at the Gardner Arts Centre, the Theatre of Vilnius's production of Chekhov's *The Cherry Orchard*, directed by Rimmas Tumina.

Finn with a double identity

Conductor Esa-Pekka Salonen reveals his plans as a composer to Pierre Ruhe

Esa-Pekka Salonen must feel on top of the world. As a conductor, his achievements will be recognised with the Royal Philharmonic Society Music Award, to be presented on Wednesday, for directing the Philharmonia's "Clocks and Clouds" festival celebrating the works of György Ligeti. His music directorship of the Los Angeles Philharmonic, after six years, is often lauded as perhaps the most successful extant partnership of all American orchestras.

Now the composer Salonen, long in the background, is beginning to emerge. The Aix-en-Provence Festival has commissioned his first opera, for 2001. Peter Sellars will produce the opera. To be

'I appreciate the physicality of music, the visceral impact, not just the cerebral aspects'

based on Peter Høeg's novel *The Woman and the Ape*. A prominent English-language librettist and several celebrated singers have signed on. The usually conservative Los Angeles Opera will give the work's second performance later that year. It helps when Salonen says "opera is about expressive singing", that it should "communicate directly, openly with an audience" and that he will use classical principles of text-setting, citing late Verdi as a model.

The music, however, will not depart from the path of his mature light and cool-headed, colourful, angular and thoroughly modern. A Finlandia recording of Salonen's own output has so far been the only way to hear his music. The 36-year-old Finn will take a year away from the podium and force his composing to catch up

with his conducting - although on sabbatical leave, he will continue to plan the LAPO's season.

Studies at the Sibelius Academy in Finland, and later with Franco Donatoni and Niccolò Castiglioni, augmented his early skills developed on the horn, piano, and as a music critic. In the 1970s he joined his classmates - Magnus Lindberg and Kaija Saariaho among them - in forming "Ears Open", a loose society influenced by the Darmstadt school, in opposition to the perceived, stifling conformity of the Finnish establishment. They succeeded in forging a cosmopolitan music vocabulary. Still, he maintains, "temperamentally, I'll always be Finnish".

He says: "My music is a continuation of the post-serial world, but more open, less rigid. Varying speed in music is something that had vanished from the vocabulary of composers. Modulation now interests me, where the harmony is identifiable so that a change is detectable." Where once the Second Viennese masters were central, now Debussy, Ravel, Lutoslawski and Ligeti receive more attention. Stravinsky, both for the late serial works as well as the neo-classical period, grows in importance. A look at the programmes Salonen conducts would verify this.

"I appreciate the physicality of music, the visceral impact, not just the cerebral aspects. It's a combination, obviously, and part of that appreciation comes from my conducting. I'm very aesthetically free at the moment, and that makes it easy to compose. But I've not jumped camps."

Since he has maintained an ambitious conducting schedule over the past 15 years, his composing has typically been done on the fly, with a sketchbook and laptop computer by his side while he travels. He collects original musical material, hits at a time, and likens his composing process to

organic growth, or "like making butter. First, you whip the cream until it starts to harden into little clumps. These grow larger and larger until the macro-forms start to take shape. Only later does the big picture, the butter, appear."

The Concerto for Alto Saxophone (1981-83) was a turning point in his output, his first large-scale work at the onset of his adult style. It clarified procedures used in the rhythmically complex orchestral piece "Giro" of 1981, which has recently been rewritten and expanded.

A triptych called "Yta" - Swedish for "surface" - begun in 1982, starts with a six-minute piece for alto flute. The tempo marking says "Presto, meccanico nervoso", which goes far in explaining how he thinks about his own music. About "Yta 2" (1985, for piano or harpsichord), Salonen paints a picture when he says: "I have tried to learn something from crystals, from snow and ice."

Like the other recorded works, "Flood" (1990), an absurdist theatre piece, and "Mimo 2" (1992), for oboe and orchestra, gives evidence of a style firmly attached to his training, with his composer perhaps the smartest boy in class but not necessarily the most creative or daring. In more recent works, like the orchestral "LA Variations", that style has opened up and is more free. Writing a successful opera will certainly demand a creative leap.

This slim output, the frequent revisions, the lucidity of thought, and the conducting career that started simply to gain performances of his own music, are all reminiscent of Pierre Boulez. "Boulez's music got more efficient after he started conducting, and I think mine did as well. The effort-to-effect ratio is very important for the players." It is typical of Salonen too, whose conducting career has received the bulk of his energy.

Salonen was first noticed in 1982 when he conducted, on just one rehearsal, an all-Berlin concert in Gothenburg. A year later, again at short notice and never having studied the work, he conducted Mahler's Third Symphony with London's Philharmonia. The success launched his career - as a conductor. Yet unlike most jet-set maestros, Salonen has only strengthened his ties with new music. For the Los Angeles Philharmonic, he programmes more 20th-century works than any other American orchestra. "For an artist, survival for its own sake isn't interesting," he says. "For an orchestra it's death."

Salonen often speaks of the inseparability of his double identity. "I'm very satisfied in LA now in my relationship with the players. We work at maximum efficiency, and that's rare with any orchestra."

But will the mostly unknown composer indeed overtake the star conductor? "I can't imagine not performing music - I need my fix of the new repertoire, the orchestra and the audience. But the balance between conducting and composing will have to change. At this time in my life I want to write music. That will become the priority."



Salonen: he has been commissioned to write an opera for the Aix-en-Provence Festival

Shakespeare with no sense of direction

THEATRE

ALASTAIR MACAULAY
Measure for Measure
Royal Shakespeare Company

You are a director asked to stage a well-known Shakespeare play for the Royal Shakespeare Company. Do you pitch it at connoisseurs? Or at newcomers to Shakespeare? Do you try to turn newcomers into connoisseurs? Or to make the connoisseurs feel like newcomers? Do you aim to take everyone by surprise? Do you strip away all the traditional trappings to reveal anew the text? Or do you begin by working out the visual framework to bring the old text to new life?

In this case, you are Michael Boyd, and you are an associate director of the RSC. You are staging the third production of *Measure for Measure* to be seen at the Royal Shakespeare Theatre at Stratford-upon-Avon in the last 10 years; you have staged a few Shakespeare plays before, and this is your second for the company.

So what do you do? You repeatedly project non-Shakespearean text onto the stage. You make one prison scene surreal, with prisoners' heads sticking up from the floor like tulips and get with his watering-can. In the final scene, you suddenly equip half your characters with guns, and help Shakespeare out by staging a coup d'état that he forgot to include himself.

You decide to light it from beneath with a massive glare from the footlight that casts vast shadows onto the stage's rear walls and puts sinister/sleazy shade onto people's faces. You put it mainly into Edwardian dress, but you put a few characters (notably Angelo) into modern dress. You make your characters exit and enter by means of two complicated staircases, one of which makes footsteps clatter obtrusively. You have the Duke run away, drunk and desperate, before his opening speech, which is delivered by his voice as dimly recorded on an Edison cylinder.

You encourage or allow the actors to make some of the verse sound like spontaneous coarse prose and some of it like unspontaneous high art. You encourage or allow them to shout many of the most famous lines, and you encourage or allow some actors to chant some of their other lines softly and artificially. Lucio quietly drones one whole section of one scene, then suddenly shouts at the Duke. Neither effect seems justified.

Who do you have in mind? Not surely my nephews and nieces, who have never seen this play but are just starting to enjoy Shakespeare. ...

arm gestures oddly bedeck the central three performances. In Robert Glenister's agonised and tense Duke, I do not recognise the ruler whom Escalus describes as "a gentleman of all temperance", but he catches the role's urgency. Claire Holman's contained and demure Isabella is a convincing postulant for the convent - and her English rose complexion is affecting - but her temperament seems too refined-in to make sense of this girl's spontaneous brilliance in ethical debate. As Angelo, whose appalling hypocrisy Shakespeare illumines from within so powerfully, Stephen Boxer's vocal delivery is too full of artificial contrivance.

Granted, this is not a terrible production. Much of *Measure for Measure* still comes across, both the satirical comedy and the anguished moral dilemma, although the exciting narrative grows rather obscure in the second half here. But this is an entirely superfluous staging. It gives the impression that Boyd had no particular desire to direct this play. It confirms the impression that the RSC has trotted this play out again merely because it is known to go down well with its usual audience. It even confirms the long-growing impression that Shakespeare is the millstone around the RSC's neck. "Just another *Measure for Measure*," it proclaims; often very other indeed. For whom does the director direct? And why?

pears in the theatre, nor me, who has seen five productions of this play in the last 10 years. This *Measure for Measure* is full of incidental effects that can only confuse people; it casts no valuable new light for those who have seen the play before: it puzzles, but it does not interest.

The actors would make a far stronger impact with less strenuous lighting than Heather Carson's and more coherent designs than Tom Piper's. Visible musicians are welcome and John Woolf's music is admirable, but the actors are not helped by having to project key soliloquies over (for example) a cello solo. Artificial

agonised and demure: Robert Glenister and Claire Holman



Agonised and demure: Robert Glenister and Claire Holman

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Tonight: by Puccini. New production by Nikolaus Lehnhoff with a cast including Bryn Terfel. The conductor is Riccardo Chailly. May 5, 8

BARCELONA

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-3-207 7475
1998, Fin de Siglo Spain: Daily Life. Historical exhibition designed to reconstruct a picture of life in Spain at the end of the last century. Painting is its mainstay - also included are books, newspapers and other objects of the time; to Jul 1

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: triple bill of works by Kylian, Borgezetti and

Forsythe; May 8, 9

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/teatrocomunale
Don Pasquale: by Donizetti. La Scala production conducted by Maurizio Benini/Roberto Polastri in a staging by Stefano Vizzoli. Cast includes Ruggero Raimondi; May 5, 6, 8

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
Il Ritorno d'Ulisse: by Monteverdi. New production conducted by Philippe Perleot in a staging by William Kantridze. With the Handspring Puppet Company, at the Lunatheater; May 9

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Pierre Boulez in works by Ravel, Ligeti, Messiaen and Roussel. With piano soloist Pierre-Laurent Almard; May 5
Chicago Symphony Orchestra: conducted by Mark Wigglesworth in works by Debussy, Mozart, Berg and Sibelius. With soprano Christine Schaller; May 7, 8, 9

GLASGOW

EXHIBITION

Art Gallery and Museum, Kelvingrove
Tel: 44-141-287 2000
Scrolls from the Dead Sea: discovered in caves above the Dead Sea between 1947 and 1955, these manuscripts have been the subject of intense controversy ever since. Here they will be shown alongside objects including the jars in which they were found; to Aug 30, then touring

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tiltberg. Conducted by Mikko Franck; May 7

KORIYAMA

EXHIBITIONS
Koriyama City Museum of Art
Tel: 81-249-58 2200
Autrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of his tragically early death, aged 25, and arrives at the V&A in October, after touring in Japan; ends tomorrow

LAUSANNE

OPERA
Opéra de Lausanne, Théâtre Municipal
Tel: 41-21-310 1800
Il Matrimonio segreto: by Cimarosa. Conducted by Jonathan

Darlington in a staging by Alain Marcel. Cast includes Alison Hagley; May 5, 8

LISBON

CONCERTS
100 Days Festival, Expo '98
Portuguese Symphony Orchestra: programme of 20th century works; Main Auditorium, Centro Cultural de Belém; May 6

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
Barenboim Beethoven Cycle: series of six concerts, with Barenboim conducting the nine Symphonies and directing the five Piano Concertos from the keyboard. With the Staatskapelle Berlin, the London Symphony Chorus and soloists too; May 5, 6, 7

EXHIBITIONS

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Anish Kapoor: one of a generation of British artists who came to prominence in the 1980s, Kapoor creates sculptures using stone, steel, and mirrored metal. This is the first major showing of his work in a public gallery in Britain, and includes massive new stone pieces; to Jun 14

National Gallery

Tel: 44-171-939 3321
Anthony Caro at the National Gallery: Working after the Masters. Display of recent sculptures which take their inspiration from painters

including Mantegna and Rembrandt; ends today

LOS ANGELES

OPERA
LA Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; May 5, 8

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-86791
www.lascala.milano.it
Der Freischütz: by Weber. Conducted by Donald Runnicles in a staging by Pier'Alli; May 7, 9

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mahler and Larsson; May 5
David Helfgott: Rachmaninov's Piano Concerto No. 3. With the Munich Symphoniker, conducted by Jean-Pierre Faber; May 8
Die Schöpfung: by Joseph Haydn. Concert performance conducted by Hayko Siemens; May 9
Milan Symphony Orchestra: conducted by Alan Francis in works by Mozart, Bruch and Schubert. With pianists Fernan and

Ferzan Onder, and violin soloist Anton Barachowsky; May 7
Vocalissimo! Gala der Stars: Enoch zu Guttenberg conducts works by Haydn, Mozart and Beethoven. With violin soloist Andreas Rainer; May 6

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Leonard Slatkin in chamber music by Debussy, Saint-Saëns and Ravel; Avery Fisher Hall; May 5

PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre National de France: conducted by Jerzy Semkow in works by Mozart, Wagner and Tchaikovsky. With mezzo-soprano Jard van Nes; May 6

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 8000
www.sfsymphony.org
Anne-Sophie Mutter: performs the complete Beethoven violin sonatas in a series of three concerts, in matinee and evening performances on May 3 and an evening performance on May 4. With pianist Lambert Orkis
San Francisco Symphony Orchestra: conducted by Peter Maxwell Davies in the world

premiere of his own new work, A Reel of Seven Fishermen. The programme is completed by works by Haydn and Shostakovich. With cello soloist Lynn Harrell; May 7, 8, 9

STOCKHOLM

OPERA
Königlichen Oper
Tel: 46-8-248 240
Deutsche Oper: Tannhäuser, by Wagner. Conducted by Jiri Kout in a staging by Götz Friedrich; May 7, 9

TV AND RADIO

WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 KHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

CNN International
Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs
13.30: Business Asia
19.30: World Business Today
22.00: World Business Today Update

Business/Market Reports:
05.07; 06.07; 08.20; 09.20;
10.20; 11.20; 11.32; 12.20; 13.20;
14.20

At 08.20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS



PHILIP STEPHENS

The big picture

While the spat over the ECB president was unedifying, it counts for little set against the enormity of the euro project

It was Jean Monnet, the founder of the enterprise, who remarked that his purpose was "not to create a nation France but a nation Europe". So perhaps we should not have been surprised that France was at the centre of the clash of egos that marked the birth of the European Union's single currency. Those who yearn for an unbroken glide-path from economic and monetary union to a united states of Europe had better think again.

This weekend's spat over the choice of a president for the European Central Bank was a timely reminder that, for all the visionary idealism and soaring rhetoric, the pooling of monetary sovereignty by 11 of the EU's 15 governments has not displaced national loyalties and vanities. Realpolitik still rules.

The summit, it must be said, was an unedifying spectacle. And one that diminished its principal participants. Jacques Chirac, deserted in the final hours of negotiations by Lionel Jospin, the socialist prime minister, appeared as weak a president as France can remember. Helmut Kohl, the wounded giant of European politics, was humbled by his finance minister and by the president of the Bundesbank. Wim Kok had his eyes on nothing but winning next week's Dutch election.

In the short term the incident may be damaging. The European parliament, whose president brusquely dismissed the eventual deal on the ECB as against the spirit of the Maastricht Treaty, will create a fuss. Those in financial markets who harbour doubts about whether the bank's independence is under threat will doubtless be edgy.

The real impact, though, should not be exaggerated. The process of European integration has always tested the limits of national pride. This latest falling out between Mr Kohl and Mr Chirac was distinctly low-key against the rupture over exchange rates - later repaired - between the German chancellor and François Mitterrand in the early 1980s.

And the eventual outcome of the summit was not at all bad. Wim Duisenberg, the first president, will be at the helm of the ECB until the middle of 2003. Jean-Claude Trichet, his anointed French successor, is an honorary German in matters monetary. Those who believe that central bankers alone have the wisdom to run Europe's economic affairs - and I do not include myself here - should, on reflection, be reassured.

We should not forget that the weekend acrimony was a sideshow to the main event. We may have grown weary of scrutinising the implications of Emu during its decade in the making. That does nothing to diminish the enormous scale of the endeavour.

I count myself among those who would have preferred the EU to direct its energies in other directions, most notably in embracing the new democracies born of the collapse of the Soviet empire. But there is no purpose any longer in debating whether the single currency was a good idea. We can leave that to Britain's Tory party. Forget the ifs and buts. It is happening. And it is unique.

The euro redraws Europe's economic map. Leave to one side Switzerland, Liechtenstein and Andorra, and it will be the common

currency of a vast geographical area stretching from Lisbon in the west to Vienna in the east. Greece has said it intends to join by 2001. Britain and Sweden will probably not be far behind. After them come the EU applicant countries of central and eastern Europe.

You do not have to believe that the euro will quickly elbow aside the dollar to understand how radically it will change the dimensions of the European economy. Nor to see that it will reshape the politics of the continent. It is impossible to predict precisely where the line between national and shared sovereignty will eventually end up. We do know it will be redrawn.

Tony Blair understands this. The British prime minister acted as neutral chairman at the weekend talks. It was not an easy task. Watching tempers flare, he might have been tempted to reflect on how fortunate Britain was in standing aside. He did not. For all his certainty that economics at present preclude sterling's entry, Mr Blair believes the euro will reinforce rather than weaken the mutual dependence of Britain and its continental partners.

Even before the national currencies of the 11 disappear, the impact of Emu has been profound. The relentless ratcheting down of national inflation rates and budget deficits across the EU would scarcely have been conceivable outside the straitjacket of the Maastricht Treaty. How many foresaw the extraordinary efforts that would be made by Italy, Spain and Portugal to swim in Europe's mainstream? And how long would the relative currency stability of

the exchange rate mechanism have survived without the final destination of the euro?

Of course, there is nothing easier than to enumerate the pitfalls ahead. This is not an enterprise beloved of the economic textbooks. A one-size-fits-all economic policy does not obviously dovetail with the confusion of cultures, languages, social diversity and economic traditions that flourish in Europe's nation states. Labour mobility is limited, social security systems often rigid. The fiscal stability pact designed to sustain the budgetary orthodoxy of the times seems perverse in its system of hefty penalties for those who go astray. The central bank lacks the transparency and accountability vital to political legitimacy.

We could go on. Essentially what such arguments tell us is that sometimes a uniform monetary policy will often fit some better than others. There will be asymmetric shocks and, inevitably, conflicts. Some will want to go faster than others in integrating tax and social security policies. But then the alternative to a single currency, as we know from the stop-go economics of the past 20 years, is hardly without its risks.

The fortunes of the euro, in any event, will not be determined by econometric equations. It is the product of the political bargain between Mr Kohl and Mitterrand which followed the tearing down of the Berlin Wall. And as Yves-Thibault de Silguy writes on this page, his success depends above all else on sustaining that political will. And there lie the real risks. Mitterrand has gone. Mr Kohl needs something approaching a miracle to win September's German election. The enthusiasm of the "Club Med" countries is no substitute for a strong Franco-German alliance.

Monnet's view was that personalities did not matter. European integration would be built on its institutions. They would provide a store of collective wisdom for such new generation of political leaders. It is a theory about to be tested.

PERSONAL VIEW YVES-THIBAUT DE SILGUY

Now for the real test

Making a success of the euro depends on the political will of the member states



De Silguy: the ECB will be able to present a single EU view Reuters

After the weekend's launch of Europe's single currency, the big test for participating countries is how they collectively manage their economies. Are they ready for a bigger European dimension in national economic policies? This is key to the success of the euro in terms of growth and job creation. The necessary institutions and procedures are now in place. Making them work is a question of political will.

Monetary policy will be clear. From January 1 1999, the independent European Central Bank will set interest rates for all participating countries with the primary aim of price stability.

Joint decision-making among the governors of national central banks and the newly appointed members of the ECB executive board will allow countries to regain influence over their short-term interest rates, which today are largely driven by external factors. Even if the monetary policy needs of all participating countries are not identical, the ECB will be well placed to strike an appropriate balance. Look at the US where big structural and wealth differentials between states such as California and Mississippi do not prevent the success of a single monetary policy for the dollar.

Other aspects of economic policy management are more complicated. The natural reaction of member states is jealously to guard their own autonomy while seeking maximum influence over the policies of other countries. To take a concrete example, we hear ministers in the council talking about the need to eliminate unfair tax competition (or even piracy) while fighting to defend the right to veto European Union taxation measures they do not like. How member states resolve this contradiction is crucial for the success of the euro.

There are three immediate challenges. First, to ensure lasting sound public policies in one country can fuel inflation and

push up interest rates throughout the euro zone. Recent progress has been impressive: the average deficit in the EU was 3.4 per cent of gross domestic product in 1997, down from 6.1 per cent in 1993. The goal of a balanced budget is not out of reach: without new measures, the average deficit in Europe should fall to 1.6 per cent by 1999. But countries must take advantage of the present period of healthy growth to make further progress on cutting spending rather than tax increases.

In this way, they can create a cushion against any future economic downturn, and reduce the debt burden for future generations. This explains the limits on borrowing set by the treaty and the stability and growth pact. At the suggestion of Theo Waigel, Germany's finance minister, Europe's leaders this weekend renewed their political commitment to the principle of sound budgetary discipline, providing further encouraging evidence of an emerging stability culture in Europe.

Second, the euro zone faces the challenge of a massive boost to competition in the single market, fuelled by greater price transparency

and the end of exchange rate uncertainty. Governments will have a greater incentive to foster an enterprise culture to maintain the competitiveness of their economies.

Participating countries will need some flexibility to adjust national policy instruments in response to local or regional conditions. But there will also be strong incentives to work together. Co-ordination will be needed to resist market pressures in areas such as taxation and the labour market.

For example, member states are today unable to shift the burden of taxation from static labour and fixed investment, although this could contribute to reducing unemployment. Instead they face pressure to cut taxes on more mobile things such as capital and business. This perverse situation explains why member states have become more willing to discuss increasing minimum EU tax rates in these areas.

The third challenge is to ensure the maximum benefits from the emergence of the euro on the international monetary scene. A euro zone of 11 countries accounting for one-fifth of world output and one-fifth of world trade will have similar economic

weight to the US. It has the potential to play a greater role in international economic and monetary discussions than the sum of its component countries.

But the necessary precondition is to ensure the euro zone is capable of defining a single position and of speaking with a single voice in international forums such as the International Monetary Fund or G7. The ECB will be able to present a single EU view. And euro zone governments will have an incentive to do likewise.

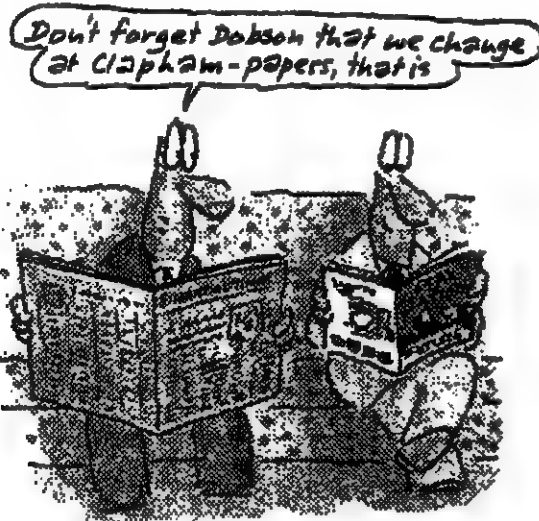
The necessary framework exists for finance ministers to work together on their economic policies in the council, without undermining legitimate national economic sovereignty. We are not talking about fine-line approval of national budgets or other policies before they are presented to parliaments. Governments will continue to set their own public expenditure priorities and tax systems in line with national needs and circumstances. But the overall thrust of economic policies will be subject to more frequent and intense examination at European level.

The commission will have a central role, providing analyses and recommendations on countries' policies. The informal meetings of the euro-11 finance ministers will allow frank discussion of sensitive issues. In public finances, the ultimate possibility of financial sanctions will be a deterrent for countries under pressure to relax fiscal discipline.

The consequences of the euro for the collective management of economic policies are becoming clearer. We have seen the determination of governments to prepare for Emu. The fruits of the resulting sound policies are emerging in the form of stronger growth and job creation. There is every reason for optimism about the ability of EU leaders to maintain momentum, ensuring the benefits of the euro for the future prosperity of Europe.

The author is European commissioner for economic, monetary and financial affairs

This announcement appears as a matter of record only



Apax Partners

and Chris Anderson are pleased to announce the management and employee buyout of

Future Publishing Ltd & Edicorp Publications SA

from Pearson plc for

£142,000,000

Acquisition Finance provided by Citibank, N.A.

Participating Funds Managed by Apax Partners & Co. Venture Ltd, Patrick & Co. Ventures Inc, Apax Partners & Co. Bevilacqua Management AG, Apax Partners & Co. Ventures SA

Legal Advisor to Apax Partners SJ Berwin & Co.

Accounting Advisor to Apax Partners Arthur Andersen

The investment partner chosen by the world's most enterprising people

Apax Partners & Co

15 Portland Place London W1N 3AA
Tel: 0171 636 6450
Fax: 0171 636 6451
www.apax.co.uk

LETTERS TO THE EDITOR

Bubble cannot be attributed to Japan

From Mr Toshio Kobayashi.

Sir, Your editorial of April 26 "Addressing the US bubble" drew my interest as it raised concerns about the recent movement of the US stock market. One of the most important questions in the global economy is whether high stock prices in the US have reflected sound corporate activities, or rather, an aspect of an "asset bubble". I respect the way the editorial raised this issue properly.

I cannot, however, agree at all with the way that it attributed the bubble of the US stock market, supposedly on "the most compelling evidence", to an expansion of Japan's liquidity and its "injection" to the US market, and that these developments resulted from "freakish circumstances of the Japanese financial system".

First, it is completely wrong to say that, because the balance sheet of the Bank of Japan has been expanding, liquidity in Japan has been increasing. Money supply is the right measure in discussing liquidity. While the Bank of Japan, in the light of the failure of a few financial institu-

tions, provided more funds than usual since November last year, idle money has been absorbed through the Bank's operations. This means that there is no "excessive" supply of money. Japan's money supply (M2 + certificate of deposit) rose only 3.1 per cent in 1997, even less than in 1996 (3.3 per cent).

Second, capital flow from Japan is not at all a main factor of the bullish US stock market. This is evidenced by FRB statistics, according to which approximately 90 per cent of the net cross-border inflow of investment in US equities in 1997, amounting to \$66bn (a more than 400 per cent rise from 1996) was from Europe, while only 7 per cent was from Japan. This figure is more than enough to show that capital flows from Japan are not the cause of bullish US stock market.

In my opinion, and in general opinion as well, recent high US stock prices can be attributed mainly to domestic factors.

As the statistics on US personal assets show, during the period between 1991 and 1996, deposits rose by \$306bn only, while mutual fund

shares increased by a phenomenal \$1,000bn. Pension fund reserves increased even more sharply by \$2,580bn. These statistics reflect that a tremendous amount of money from these funds poured into the stock market, serving as a main driving force of stock price increase in recent years.

It should also be noted that, as the editorial points out, an accommodating monetary policy might have been affecting the stock market. The US money supply (M2) for the past few years is on the upward trend: 6.9 per cent in 1996 and 6.7 per cent in 1997.

It is not correct, judging from objective statistical figures, to attribute high US stock prices to "capital inflows from Japan". Instead of Japanese funds, US domestic flow of funds should be focused on.

Toshio Kobayashi, director, research division, International Finance Bureau, Ministry of Finance, 3-1-1 Kasumigaseki, Chiyoda-ku, Tokyo, 100-8940, Japan

Gillette's policy on dual career marriages

From J. M. Callaghan.

Sir, An interview by Victoria Griffith of Alfred M. Zeien, chief executive of The Gillette Company ("As close as a group can get to global," April 7), contains the following statement: "People in dual career marriages [Mr Zeien says] probably should not work for Gillette." Not only was no such statement made in the interview, but it is a misrepresentation of Mr Zeien's views and of The Gillette Company's policies.

In the interview, Mr Zeien commented that if individuals aspiring to senior management positions within the company were unwilling to undertake international assignments, they should probably "think twice"

about working for Gillette because their opportunities to ascend through the management structure would be limited. In response to a question about whether it is difficult for employees in dual career relationships to be transferred from country to country, Mr Zeien said "Yes". However, what appeared in the printed article is an assumption drawn by the reporter - an assumption that is incorrect and misleading about Gillette's corporate procedures and practices.

The reader does not have the benefit of understanding that Mr Zeien then went on in the interview to relate the complexities involved with the dual career issue. He cited, as illustration, an

attorney, whose skills may not be applicable geographically. Mr Zeien does not believe people in dual career marriages probably should not work for Gillette. To the contrary, he feels strong empathy with the plight of dual career couples in multinational companies.

The Gillette Company has had a partner job search programme in place for many years that is intended to ease the transition for both existing employees facing a transfer and for new talent being recruited.

Joan M. Callaghan, director, corporate public relations, The Gillette Company, Prudential Tower Building, Boston MA 02199-0004, US

Sudan crisis and Save the Children

From Mr Mike Aaronson.

Sir, Michaela Wrong is correct to assert ("El Nino may have stopped the rain, but it was man who made Sudan's famine", April 30) that this emergency is more a result of the protracted civil war than it is a cause of nature.

Save the Children and other aid agencies foresaw and prepared for this crisis. However, part of the tragedy of Sudan today is that, despite the availability of resources, aid agencies have faced considerable practical obstacles in getting assistance to the people in the greatest need.

We are currently delivering seeds and tools and other non-relief items on the back of new supplies of food aid to mitigate the effect of this crisis.

Along with many other agencies working within the Operation Lifeline Sudan framework, Save the Children targets its assistance based on a very careful analysis of prevailing needs in the areas in which we work. It is for these reasons that Save the Children has not (as Ms Wrong's article states) launched an appeal.

The people of Bahr al Ghazal are facing a crisis, but not yet a famine. The most important assistance they can receive is an agreement from all players in this conflict to support and facilitate Operation Lifeline Sudan's humanitarian mandate, and allow us immediate access to deliver life-saving assistance.

However, while this will ensure and secure an equitable access to the affected populations, it is only an effective peace agreement that will make this a long-term reality.

Mike Aaronson, director general, Save the Children (UK), 17 Grove Lane, Camberwell, London SE5 8RD, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5636 (ext 101), e-mailed to letters@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

السلامة والبيئة

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922188 Fax: +44 171-407 5700

Monday May 4 1998

An uneasy compromise

The manner in which the first president of the European Central Bank was appointed by the leaders of the European Union this weekend was undignified and disappointing. Wim Duisenberg, the eminently well-qualified Dutch candidate, was forced to make a personal statement to the summit insisting on his willingness to resign halfway through his eight-year term, before he was confirmed in office. He protested too much. It was a shabby compromise.

The fault was primarily that of Jacques Chirac, the French president, who insisted on pushing the claims of Jean-Claude Trichet, governor of the Bank of France, to the bitter end. But it was also a reflection of the political weakness of Helmut Kohl, the German chancellor. And it was confirmation, if any was needed, of the inability of the European Union to resolve its appointments of top people without squabbling in public.

If the markets take the whole affair amiss, it will be understandable, but nevertheless unjustified. For the outcome is that the ECB will be governed by an impressive team of central bankers and economists, none of whom has a track record of political pressure. If and when Mr Trichet takes over, some time in 2002, as the summit finally seems to have accepted, he will represent the same tradition of monetary discipline. Such guardians of stability

are scarcely political pawns. Having said that, it is clear there is a philosophical tension still unresolved at the heart of the monetary union, between France and Germany, its two most important participants. France is not happy with the lack of ultimate political control over the future ECB, and Germany is not happy if it is less than fiercely independent.

In fighting so stubbornly for a French candidate against Mr Duisenberg, the central bankers' choice, Mr Chirac at least ensured that the political leaders of the EU made the final decision. But the articles of the ECB statute that the central bank will be much closer to the independent model of the Bundesbank than the Bank of England, or of France. The danger, if anything, is that it might be too insulated from political realities.

The negotiations also underlined the lack of good chemistry between Messrs Kohl and Chirac, which helps neither. Mr Kohl went home politically weaker, just five months from his general election. Mr Chirac looked less statesmanlike than Lionel Jospin, his prime minister.

But the project is launched, and still on track. Huge efforts have been made by all the participants to make the grade. A reasonably fair wind seems to be blowing for the European economy. Mr Duisenberg's task in office may be easier than his confirmation.



For a few hours, late on Saturday night, the European Union courted disaster.

The historic decision naming the 11 founder members of economic and monetary union was in the bag. But EU leaders were nowhere near settling an elementary dispute: the appointment of the first president of the European Central Bank.

The row pitted President Jacques Chirac of France against Chancellor Helmut Kohl of Germany, nominally the champions of Emu but in reality two weakened leaders with no room for manoeuvre. In the end, the immovable German object prevailed.

"It was a dogfight, one of the most difficult summits I have attended," said Mr Kohl.

The bitterly fought outcome was that Wim Duisenberg, the Dutch candidate for the ECB presidency, would agree to step down once the transition to the euro was complete, most likely around mid-2002 after the introduction of euro notes and coins. However, the timing of his departure remains in the Dutchman's hands in order to preserve the notion that his early retirement is a voluntary act.

This was a setback to Mr Chirac who had wanted Mr Duisenberg out by January 1, 2002. The present governments of the 11 founder Emu members, though, have offered a political commitment to back Jean-Claude Trichet, governor of the Bank of France, as Mr Duisenberg's successor. A final sweetener is that Christian Noyer, a former top French finance ministry official, will serve as ECB vice-president for the first four years.

However, several questions are left hanging after the weekend's events. What will the financial markets make of the latest variety of Euro-fudge? Will the uncomfortable compromise sour the public's view of the new European central bank, particularly in Germany? And what effect will the Franco-German spat have on the bilateral relation that lies at the heart of the single currency project?

Before the compromise was reached, Mr Kohl had come under intense pressure from Hans Tietmeyer, the Bundesbank president, and Theo Waigel, his long-serving Bavarian finance minister, to resist the French demands. The Germans argued that Mr Chirac's insistence that Mr Duisenberg should give a firm date for his departure would compromise the independence of the bank and violate the Maastricht treaty.

President Chirac maintained to the end that he had every right to push the rival candidacy of Mr Trichet. But the French socialist government dropped hints that it was uncomfortable with Mr Chirac's heavy-handed tactics and Lionel Jospin, France's prime minister, pointedly left Brussels for New Caledonia half-way through the summit. He had no desire to take the rap for wrecking what ought to have been a crowning moment for Emu - a project 30 years in the making.

Given such discomfort, it may seem strange that EU leaders did not tell Mr Chirac to fall into line

earlier. The reason is that the ECB post - the most important unelected job in Europe - is subject to unanimity, and Mr Chirac had made clear he was willing to veto Mr Duisenberg. Since the Dutch would have retaliated by vetoing Mr Trichet, the EU would have been forced to find a third candidate of equally impressive credentials - a tricky task which might well have triggered uncertainty in the financial markets.

The markets may still not like the smell of a deal that amounts, in effect, to the appointment of "Wim-Claude Trichenberg" to the ECB presidency for the next 12 years. Any number of combinations were attempted to meet the letter of the Maastricht treaty which stipulates that the ECB president should serve an eight-year non-renewable term. It was not easy to explain why Mr Duisenberg had found it necessary to announce he was leaving early even before he had taken up his post.

Tony Blair, the UK prime minister, had a tough time brokering a deal with the Dutch, French and Germans. This was partly because they were under the erroneous impression that they could reach agreement among themselves, but also because Britain's decision to stay outside the first wave of Emu makes it harder to exert decisive influence on the French and Germans.

The big risk is that the deal could still arouse suspicions among the wider European public that the politicians are playing fast and loose with the terms of monetary union. They could well see this weekend's compromise as a further example of politicians bending the rules, as they did with the generous interpretation of the stipulations on debt that allowed Italy and Belgium to qualify among the founder Emu members.

"I do not have any doubt that this [compromise] breaches the

'It was a dogfight, one of the most difficult summits I have attended'

spirit of the treaty," said José María Gil-Robles-Gil-Delegado, president of the European Parliament. Mr Gil-Robles' comments could presage a rough ride for Mr Duisenberg at the end of the week when he appears, along with the five other members of the ECB executive board, before the European parliament. Though MEPs have no power to block the appointments, they could register a vote of no confidence.

Similar threats of no-confidence votes surfaced four years ago after another Euro-fudge involving the appointment of Jacques Santer, president of the European Commission. But EU leaders, notably the Germans and Spanish, instructed their MEPs to toe the line. This time, a parliamentary revolt appears unlikely, if only because no one wants to introduce uncertainty during the transition to the official launch of the euro on January 1, 1999.

The trickier issue is whether the manoeuvring over the ECB job will undermine public confidence in the single currency in Germany. There, the bulk of the population remains sceptical but grudgingly resigned to swapping their tried and tested D-Mark for an unproven euro. It is also open to debate whether Mr Kohl's attempt to win an unprecedented fifth term in the September general election will be killed off by the impression that he is willing to make almost any concession to secure the launch of Emu.

Mr Kohl looked uncomfortable when journalists suggested Mr Duisenberg had fallen victim to political skulduggery that contravened the treaty. He vigorously denied French claims that he had secretly promised President François Mitterrand the top ECB job in return for locating the bank in Frankfurt. This, he said,

was "a complete invention". German officials predicted that the Bonn government's negotiating position in Europe would harden in the run-up to the September election - leading to shriller demands for lower budget contributions to Brussels and more attacks on the European Commission for "interfering" in state aid cases. "The next few months will not be pretty," said one diplomat.

The other source of tension with France was the German initiative to accelerate budgetary discipline and debt reduction inside the Emu bloc. Mr Waigel claimed that the summit had endorsed every aspect of his plan. But Dominique Strauss-Kahn, French finance minister, denied that initiative amounted to a "Stability Pact Mark II".

The optimistic view is that these Franco-German differences will melt away once Emu moves ahead on the back of an accelerating European recovery. A Social Democracy victory in the September election could tilt the new German government more towards the French priorities of high growth and employment rather than the Bundesbank model of price stability and iron fiscal discipline.

Yet there is still "the Chirac factor". The French president has confounded his closest ally since he took office in 1995. Nuclear testing in the South Pacific, the ill-fated gamble to call early parliamentary elections last spring, and finally the nomination of Mr Trichet in the ECB contest - all these gambles have appeared in German eyes like a struggle to boost Mr Chirac's prestige at home regardless of the consequences abroad.

As one senior German official noted, Mr Chirac's insistence that a Frenchman should head the central bank showed no sensitivity to the principle that the bank was a supranational institution rather than the property of national interests.

Yet on one point, Mr Chirac can claim to have right on his side. He was furious when he learnt that central bank governors had tried to engineer the succession to the ECB in the summer of 1998 by appointing Mr Duisenberg to the European Monetary Institute, the institution that will metamorphose into the central bank next month.

His nomination of Mr Trichet, however tardy, was a blow against the unelected technocrats. His argument that the politicians must have the last word on the ECB job is in line with the Maastricht treaty. Thus, the independence of the central bank, though enshrined in the treaty, does not extend to the point where central bankers can operate outside the political world.

The climax of an ill-tempered Brussels summit was peculiarly fitting. Mr Duisenberg, who had been pacing the corridors for most of the day, was invited into the summit conference room to deliver his personal statement to EU leaders. It was then he set out his desire to retire early on the grounds of age, while reaffirming that this was his decision alone.

One observer said it was a memorable moment - nothing as dramatic as the birth of the euro but still a reminder that the new central bank is accountable to elected politicians. In this sense, the battle over the ECB presidency, though bloody, may also have been necessary.

Fed's focus

Last week's swathe of economic data on the US economy was better than even the bulls had dared wish. The dream of non-inflationary growth is alive and well. Can the Federal Open Market Committee now forget about interest-rate rises, sit back, and look forward to a few more years of non-inflationary growth?

The data were certainly impressive. Output grew at an annual rate of 4.3 per cent in the first quarter, while domestic prices did not increase at all, and the rate of growth in employment costs fell. These numbers hide a divergence between a very strong domestic economy, with domestic demand growing at an annual rate of 5.5 per cent, and weak exports. But the lack of inflationary tendencies is undeniable.

The problem for the Fed, though, is not the real economy, but the equity market. The Dow Jones index has risen one-third in the past year. Ever-higher earnings will be needed to justify increasing valuations. And there is a real risk that earnings may disappoint. Company profits could be hit this year by a number of factors. External conditions have deteriorated - the International Monetary Fund predicts that global growth will slow from 4.1 per cent last year to 3.1 per cent this year, and US companies have certainly not seen the worst of the fallout from Asia. Domestically, earnings could be

threatened by a rise in labour costs - or even by a rise in interest rates if the economy continues to expand at its recent rate.

If the result is a major correction in the stock market, there could be serious knock-on effects. The rise in financing costs could bring about the end of the boom in capital spending that has characterised much of the 1990s. And with equities now making up nearly 40 per cent of average household assets, consumers would also suffer.

Comparisons have been made with Japan's equity market bubble and subsequent disastrous bust. Of course, current US asset inflation is on a much smaller scale. The current Dow Jones price/earnings ratio is 23, compared with around 60 for the Nikkei at its peak. And the high equity valuations in the US are based partly on expectations of a new era of low inflation. But the possibility of an equity market fall is still the biggest risk to the US economy.

The problem is that focusing monetary policy exclusively on inflation can let asset prices get out of hand. In the US the main effect has been on the stock market. In the UK, a similar problem has arisen with the exchange rate. In both cases, movements have been so large as to create risks to the stability of the real economy. The Fed needs to re-adjust its focus.

Debit Lyonnais

Crédit Lyonnais, the troubled French banking giant, has too long depended on a life support system provided by the French state. Worse, the cost of rescuing it from earlier follies has been escalating. The latest rescue plan is twice as big as the FF150m (\$7.4bn) package proposed in 1995.

Yet the bank has been slow to sell off overseas assets in accordance with conditions agreed with the European Commission. It is also locked in trench warfare with Karel Van Miert, the competition commissioner, who has the ability, at least in theory, to switch off the life support machine by putting a veto on the new rescue.

In an extraordinary recent episode one of Mr Van Miert's officials made waves by declaring that the veto might indeed be exercised. Jean Peyrelevade, the bank's chairman, alleges that this resulted in panic withdrawals of up to FF1bn of deposits. What would the world have said, asked Mr Peyrelevade, if, say, the International Monetary Fund had caused the bankruptcy of Japanese banks, which stand to absorb more state aid than Crédit Lyonnais?

That is an intriguing question, and the answer is that the world would have been justified in thanking the IMF for helping to reduce moral hazard in the banking system. Japan's dilatory

approach to handling its banking crisis has, after all, resulted in unsound banks seeking to trade their way out of trouble in the rest of Asia, thereby exacerbating Asia's current problems. Feather-bedding Crédit Lyonnais can only have had similarly malign effects, albeit on a smaller scale. The bank has already been obliged to make provisions against recent loans in Asia.

That said, the notion that depositors could seriously be worried about the bankruptcy of Crédit Lyonnais is bizarre. The reason the bank is still intact is precisely that it is too big to be allowed to fail. And on Friday Jacques Santer, president of the European Commission, hinted that it has now become a bargaining chip in a wider game. A softer Brussels line on Crédit Lyonnais is an obvious potential trade-off in haggling over contentious EU issues.

It should nonetheless be recognised that, in trying to preserve as much of his international empire as possible, Mr Peyrelevade is demanding a privileged position for his bank in the consolidation of the European banking sector. It is hard to see how the credibility of European competition policy can escape severe damage if such treatment is granted to one of the biggest bankrupts of all time. It is vital that Mr Van Miert emerges with tangible gains from this battle.

Schröder shows his Mettall

While Helmut Kohl struts the world stage this month, hoping sunny summit appearances will earn him badly needed bonus points in his campaign to win a fifth term, Gerhard Schröder, the Social Democrat's choice for chancellor, will be adding flesh to his economic policy plans.

These have caused rumblings of discontent among Germany's bosses in recent weeks because the SPD has pledged to roll back recent government reforms that have trimmed sick pay and put a brake on the ever rising cost of state pensions.

But Schröder has already sent one important signal of conflict in a main area - his proposed alliance for jobs requiring binding commitments from employers and unions to reverse the nation's jobless crisis. He's announced that Walter Riester, deputy leader of the powerful IG Metall trade union, should be minister of employment and social affairs in an SPD-led government.

Riester, 54, is renowned for his pragmatism and willingness to compromise union principles in order to secure jobs. And he's certainly well regarded by industry - so much so that Volkswagen boss Ferdinand Piëch is said to have tried to recruit him into senior management. All of which is reason enough for Riester to find favour with Schröder - an SPD

candidate who enjoys the company of business folk and who wants to move his party to the middle ground of politics.

So long Sato?

Winds of change are blowing through the Asian Development Bank, the obscure organisation that has sprung to unaccustomed prominence during the region's economic crisis. Expectations firmed up at last week's annual meeting that president Mitsuo Sato could depart in November, well ahead of schedule in 2001. Sato - known for his disconcerting but engaging habit during meetings of closing his eyes in rapid concentration as if asleep - fuelled the rumours by merely conceding he was "fully aware" of them. Seems he's genuinely ready to go off and spend more time with his family.

There's certainly no pressure on him to go. He's won plaudits from several quarters for the bank's prompt response to the Asian crisis and for its work on good government in developing countries. But he's had a thing time pushing through both a capital increase and a controversial replenishment of the bank's development fund before the economic crisis struck. A possible successor, who by precedent has to be Japanese, is Tadao Chino, currently head of the Nomura Research Institute in Tokyo and a former vice-minister for international affairs at the finance

ministry. One of the attractions of Chino for some ADB members is his communication skills. Even those who feel that Sato has done a good job acknowledge that putting them across has not necessarily been his strongest point.

Gluckstern gets out

Steven Gluckstern's decision to quit after little more than a year as boss of Zurich Group's reinsurance division, the fastest growing part of Switzerland's number two insurer, may raise a few eyebrows.

A former Lehman Brothers investment banker, Gluckstern, 47, is the only star in Zurich's fast-growing executive suite apart from Rolf Hüppli, Zurich's ambitious chairman. Gluckstern pioneered the use of investment banking techniques to crack insurance industry problems and over the past 10 years has turned what was a dull Swiss insurer into a global innovator in "finite risk" reinsurance. Judging by the 88 per cent jump in Zurich's reinsurance profits last year, it's a highly profitable business.

But Gluckstern has always been more interested in cutting deals than in being a manager. A few months ago he bought the New York Islanders, a US ice hockey team, and now he's setting up his own investment partnership - Capital Z Partners - taking Laurence Cheng, Zurich's chief investment officer, with him. Zurich has promised to be a big

investor in Gluckstern's new financial services investment boutique. No doubt its decision is partly prompted by the knowledge that Gluckstern only joined Zurich in 1997 after his initial plan to set up the first Bermuda-based "finite risk" reinsurer was rejected by his then employer, Warren Buffett, America's favourite investor. Nevertheless, not all Gluckstern's investment hunches have paid off. Last year he led Zurich's bid to rescue Peregrine Investments, the swashbuckling Asian investment bank. Fortunately, Zurich pulled the plug on the deal - and Peregrine, Zurich's shares have outperformed the market ever since.

Brunei bore

The Disney Corporation is often consulted about the management of queues, but there's probably little that even the Mouse's spokesmen could do to help those who endure long waits in Brunei's Jerudong Park Playground.

The huge park, built to celebrate the birthday of Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, is open to all; there's no charge for any of the rides. The trouble is, there are only 280,000 people in Brunei and few tourists; funsters often have to wait ages for enough fellow thrillseekers to turn up to justify starting a ride. And when they do climb aboard, they'd better not get into those buggies with Mercedes-type fronts: they're strictly for members of the royal family.

Financial Times 100 years ago

Manila in Flames
The New York "Evening Post" publishes a bulletin asserting that the President has just sent a message to the Senate stating that he had received a cablegram announcing that Manila had surrendered in order to save bombardment. The State Department has been informed that the British Government has received despatches from the Governor of the Straits Settlements containing details of the naval engagement at Manila. Great importance is attached to these despatches, coming as they do from an independent source. They state that the American fleet entered Manila Harbour at daybreak. The fort opened fire on the ships, whereupon they shifted to a position near Cavite, engaging in a fierce fight against both forts and the Spanish fleet. The engagement lasted two hours, and resulted in the annihilation of the Spanish squadron. Admiral Dewey requested the British Consul to convey a message to the Spanish Governor demanding the surrender of all torpedoes and guns, stating that otherwise he would proceed to bombard the city. The news of Admiral Dewey's victory was received in Washington with rejoicing.

**HUB ZURICH:
40 MINUTES
TRANSIT TIME**
swire the refreshing airline

FINANCIAL TIMES

MONDAY MAY 4 1998

AS OF MAY 27:
5x A WEEK
ZURICH-SAN FRANCISCO
NONSTOP
swire the refreshing airline

THE LEX COLUMN

Wim's half-baked win

It was, indeed, a squalid compromise. The weekend's wrangling in Brussels will make it harder for the new European Central Bank to establish its credibility. But, ironically, that could be a reason to buy the 11 currencies which are to form the euro rather than run for cover. Precisely because Wim Duisenberg and his colleagues will now have to work a touch harder to show they are independent from political pressure, interest rates in Euro-land are likely to rise earlier than they might otherwise have.

An ECB that is worried about being soft in case it is thought wet is not ideal. But those expecting the new currency to be blown out of the water by market turmoil or social upheavals have probably been watching too many disaster movies. With most of euro-land in the early stages of what could be a long upswing and unemployment set to drop, the euro has about as fair a wind behind it as one could imagine.

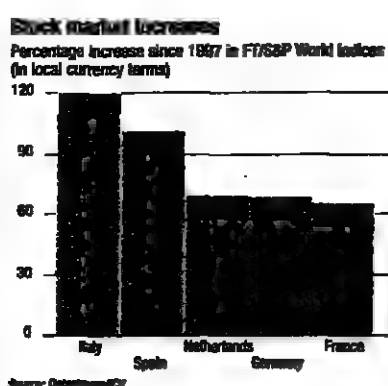
If an all-out explosion is unlikely, localised bubbles are another matter. The Irish Republic, Spain and, to a lesser extent, Italy are already growing faster than the rest of euro-land. A one-size-fits-all monetary policy will stoke their booms. For the time being, investors should continue to enjoy exceptional returns. But they should also be aware that at some point these bubbles will be pricked.

Winners and losers

The good times ahead carry another danger: that they will ease the pressure on governments to make the structural changes needed for long-term success under Emu.

In euro-land, the sources of competitive advantage will be micro not macroeconomic: flexible labour markets, low taxes, pension systems that do not impose ever-mounting burdens on the public purse and a willingness by companies to embrace shareholder value.

How do euro-land's big economies score on these criteria? The answer has to be not terribly well. True, the competitive forces unleashed by the single currency will eventually drive all governments to free up their economies. But this will not happen at the same pace everywhere. In Germany, there are some good signs. Companies are paying more attention to



competitiveness, while unions are becoming more flexible. The snag is that important government initiatives like tax reform have ground to a halt in advance of the autumn elections. Much will depend on whether Gerhard Schröder, the likely next chancellor, turns out to be a Blairite moderniser or an old-fashioned social democrat.

If the verdict is uncertain in Germany, it is mainly negative in France. The country's lack of stomach for reform is exhibited in endless strikes. There is a psychological inability to acknowledge that the Gallic way of doing things is not working. And though some companies such as Axa and Alcatel are adapting to competitive realities, measures like the 35-hour week are steps in the wrong direction.

While France is euro-land's black sheep, Italy could be its dark horse. Its public-sector high debt, chronic problems in the south of the country and pale version of France's 35-hour week are not the ingredients of success. But it is grappling with problems ranging from the deficit to its inefficient banks, distorted tax system and shopping restrictions. In terms of willingness to adapt, it scores high.

Capital markets

For investors, the single currency will require a change in mindset. While the Maastricht process drove markets, the key issue was the state of government finances. As more rigour was shown, so interest rates fell, fuelling big rallies in

bonds and equities. In this environment, countries formed the basis for an investment strategy. With the euro, this will change. Europe will converge on the US model of a single capital market. Bond investors will make credit decisions, not currency bets. With government finances under tight control, there will be less sovereign risk. But with all issues in the same currency, the market will be more liquid and efficient. Moreover, declining sovereign risk will be offset by increased volume of high yield and corporate instruments.

Life will also change for bond investors. Instead of trading bonds by country, they will focus on maturity bands, as they do in the US. The decision will be where to locate on the yield curve, not which country. Stripped of currency gains, they will also have to find other ways of boosting returns. This will involve them embracing greater credit risk, the trick being to find issuers, both sovereign and corporate, whose credit standing is likely to improve.

Meanwhile, equity investors will increasingly focus on sector rather than country. This shift will take rather longer to effect. Research suggests only four European sectors - financials, pharmaceuticals, O&S and non-durable goods - have sufficient correlation to be plausibly regarded as identifiable sectors.

Nor will country risk vanish overnight. Euro-land's distinct social, economic and political structures will ensure that a common monetary policy results in different rates of growth. Picking investment winners will require establishing those regions likely to emerge as high growth stories. The best candidates appear to be Italy, Spain and The Netherlands. Within these countries, the non-traded sectors like retail, banking, property and construction appear best placed to capture the benefits from high growth.

The risk, of course, is that shares will suffer a correction before this scenario unfolds. European equity markets, up around 150 per cent over the past two years, are very expensive by some criteria. But for long-term investors, any correction is likely to be a blip in what looks a long-term bull story. After all, Europe is only in the early stages of the corporate restructuring which has so invigorated US equities in recent years.

US attacks Brussels plan to curb air alliance routes

Planned transatlantic rules would raise prices, says Washington

By Michael Skapinker, Aerospace Correspondent

The US government has told Karel Van Miert, the European Union competition commissioner, that his proposals for regulating transatlantic air alliances will reduce competition and increase fares.

In a sharply worded letter, Charles Hunsicker, the US assistant aviation secretary, said Washington strongly opposed plans by Brussels to limit flights on certain routes to reduce the power of airline alliances.

The letter comes as Mr Van Miert prepares to announce conditions later this month for approving alliances between British Airways and American Airlines and between Lufthansa of Germany and United Airlines of the US.

In addition to restrictions on the number of flights, Brussels will order BA and Lufthansa to surrender take-off and landing slots at their home bases at Heathrow and

Frankfurt airports. The Commission is to give its verdict later this year on a third alliance, between Delta Air Lines of the US and Swissair, Austrian Airlines and Sabena of Belgium. The US authorities have already given the go-ahead to the Lufthansa-United and Delta alliances, but have yet to approve the BA-American partnership.

Mr Van Miert wants to restrict the number of flights the alliances offer on certain routes so that other airlines can offer competing services. However, Mr Hunsicker said: "Imposing reductions and freezes on network carriers' capacity will exert upward pressure on fares... especially for business passengers."

He said the number of seats available was just as important in determining fares as the number of airlines competing on a particular route and this was particularly true on transatlantic markets where aircraft were often full. Mr Hunsicker also said the US was worried that

Brussels was concentrating too heavily on the effect alliances had on competition between airports.

The Commission should look at the impact on the transatlantic market as a whole, US government research has shown that alliances could increase rather than reduce competition because they compete against each other. Mr Hunsicker said: "It is important that this pro-consumer aspect of alliances not be blunted by restrictions aimed at protecting a relatively small number of passengers in hub-to-hub markets."

He was also concerned by Mr Van Miert's apparent intention to impose restrictions on the alliances' use of computer reservation systems and the commissions they paid to travel agents. "Imposing restrictions only on alliance carriers... could have unintended and inequitable consequences," he said.

Business travel, Page 9

US commitment to Middle East peace process to be tested by talks

Albright to meet Palestinians and Israelis separately in London

By Judy Dempsey in Jerusalem and Mark Hubbard in Cairo

Washington's commitment to the Middle East peace process will be tested in London today when Madeleine Albright, US secretary of state, holds talks separately with Israeli and Palestinian leaders.

Mrs Albright will have to decide if she will publicly present US proposals for a second Israeli troop pullback from the West Bank when she meets Benjamin Netanyahu, Israel's prime minister, and Yasser Arafat, president of the Palestinian Authority.

The London talks are seen as one of the last attempts to revive the peace process, stalled for 13 months when Israel started building a new Jewish settlement at Har Homa in east Jerusalem.

The US proposals entail a phased Israeli handover of 13.1 per cent of land to the Palestinian Authority, way below the PA's original expectations of about 30 per cent. The Oslo

accords between Israel and the Palestinians did not spell out how much land would be returned.

The PA accepted the US proposals at the weekend, saying it would not agree to "an inch less [of land]".

Mr Arafat has won the backing of Hosni Mubarak, Egypt's president, who said agreement on a second pullback would pave the way for final settlement negotiations. The two men met in Cairo last night. Mr Mubarak dismissed a request by Mr Netanyahu to persuade the Palestinian leader to accept less than 13 per cent.

Israeli officials were yesterday still trying to block the US plan being presented in London. They believe they will be blamed for the demise of the peace process if they reject it.

But they also believe their security will be undermined if they accept it, especially since they are not convinced Mr Arafat is doing enough to crack down on terrorism.

Israeli officials offered concessions to try to persuade the US not to

present its proposals, by agreeing to open the airport in Gaza and the Gaza Industrial Estate, close to the border with Israel. The opening of the airport would give the Palestinian Authority a direct outlet to the world and would be another step towards Palestinian statehood.

The industrial estate would provide an economic boost for the unemployment-burdened territory. Both offers have been bogged down by security issues.

But the US and the Palestinians are reluctant to accept these concessions without a clear commitment by Israel to the second pullback. Furthermore, even if Israel implements that pullback, Washington has said it must also implement a third redeployment.

Yesterday Mr Mubarak repeated Arab warnings that there was little prospect of continuing the peace process if the London talks failed. "We hope from our hearts that the London meeting is a success, because we fear what may follow after that."

CONTENTS

News

European Monetary Union	2,3
International News	4,5
UK News	6
Weather	16
Lot	16

Features

Guide to the Week	32
Inside Track	7-10
Arts	13
Editorial	15
Letters	14
Observer	15

Companies & Finance

News	17-21
Companies in this issue	17
Global Investor	17
Market Movers	19
International Bonds	22
FT Guide to World Currencies	20
Emerging Markets	20
Markets Week	22
New International Bond Issues	22
Companies Diary	22
Money markets	23
Recent Issues, UK	22
Managed funds service	25-28
World stock markets	29
FT/BBP-A World Indices	29
New York Stock Exchange	30,31
World markets at a glance	22
Economic Diary	32

FT.com
FINANCIAL TIMES

Directory of online services
via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
<http://www.ft.com>
The Archive: online archive of back issues of the newspaper since July 1996.
<http://www.archive.ft.com>
Newspaper subscriptions: information, offers and online ordering.
<http://www.ft.com/newspaper/subscriptions.htm>
FT Research Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plus
<http://www.ft.com/newspaper/222.htm>
Click here to get share prices and market reports by telephone and faxback.
<http://www.ft.com/newspaper/217.htm>
Share prices: details of forthcoming editorial surveys.
<http://www.ft.com/newspaper/236.htm>

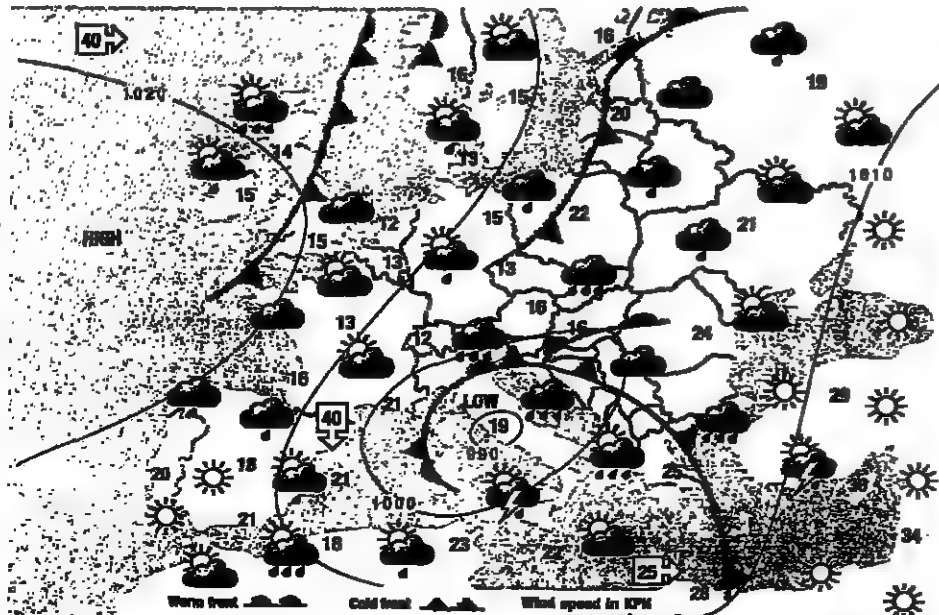
FT WEATHER GUIDE

Europe today

The western coasts of Norway will have rain, but the rest of Scandinavia will have a mixture of sunshine and scattered showers. The Low Countries, Germany, Austria and Switzerland will be cool with sunny spells and showers. France will be mainly dry with some sunny intervals, but there is a risk of showers in the south. Central parts of the Mediterranean will be wet with heavy rain or thundery showers, but the Iberian peninsula will be much drier and brighter. The eastern Mediterranean will be hot and sunny.

Five-day forecast

The heavy showers in central parts of the Mediterranean will die out, with all parts having some fine, sunny weather before the middle of the week. Much of central Europe will also become dry, but northern areas will turn unsettled with spells of rain, although it will become warmer at the same time.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHER CENTRE

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	33	Madrid	21	Cairo	31	Paris	18
Aden	33	Barcelona	21	Casablanca	21	Frankfurt	18
Algiers	28	Berlin	14	Geneva	15	London	15
Amman	12	Bombay	25	Hamburg	14	Manchester	15
Atlanta	20	Buenos Aires	25	Heidelberg	15	Medan	30
Bahia	25	Calcutta	34	Hong Kong	26	Mexico City	20
Bangkok	28	Chengdu	13	London	15	Monterrey	25
Bombay	25	Chongqing	13	Los Angeles	22	San Francisco	18
Buenos Aires	25	Dhaka	25	Madrid	21	Sao Paulo	25
Calcutta	34	Dubai	25	Manila	28	Seoul	18
Chengdu	13	Hankou	18	Osaka	22	Singapore	28
Chongqing	13	Harbin	15	Shanghai	22	Sydney	20
		Hong Kong	26	Taipei	22	Tokyo	21
		London	15	Tientsin	18	Yokohama	21
		Los Angeles	22	Urumqi	15		
		Madrid	21				
		Manila	28				
		Medan	30				
		Mexico City	20				
		Monterrey	25				
		San Francisco	18				
		Sao Paulo	25				
		Seoul	18				
		Singapore	28				
		Sydney	20				
		Taipei	22				
		Tientsin	18				
		Urumqi	15				

We can't change the weather. But we can always take you where you want to go.

Lufthansa

front of our competitors?

At Lease Plan we offer a vehicle leasing service which is quite different from our competitors. On one hand, each individual cost detailed in our quote is open to inspection by you. On the other hand, if we make any additional savings during the term of the lease, we refund these to you. We call this service 'Open Calculation' - and last year it allowed us to refund \$5 million to our customers. It's just the kind of innovation our customers have come to expect from us, and our competitors have come to fear. To find out more, simply call us on:

0345 65 60 65

Lease Plan 7
A fair deal in an unfair world

مكتبة من الامم

VIAG. Creating enduring value.

Order our information package
Fax +49-59-1254-445
www.viag.com

VIAG

FINANCIAL TIMES

COMPANIES & MARKETS

MONDAY MAY 4 1998

your business web site
Portugal
OFFER
www.portugaloffer.com

INSIDE

Broad is beautiful for Rheinmetall

If conglomerates are a dying breed, no one has told Hans Brauner, chairman of Rheinmetall, the German industrial group. Since 1996, the company has doubled in size by spending DM500m on electronics and car components companies to build on its core defence equipment activities. Mr Brauner is keen to take Rheinmetall's annual sales further. He argues that diversification is essential to the group's growth when military budgets are under pressure around the world. Page 19

DERIVATIVES

Life faces up to the challenge

The London International Financial Futures and Options Exchange faces further upheaval this week. It has already embraced electronic trading and announced plans to introduce a new day-time electronic trading platform in 1999. In response to an aggressive challenge from the electronic Deutsche Terminbörse in Frankfurt, the exchange has also put forward plans to convert into a profit-based organisation, rather than one that exists solely to serve its members. These changes will be put to the vote on May 21. Now further changes are expected to emerge from the meeting of the board of directors on Wednesday. Page 21

EMERGING MARKETS

Honeymoon ends for Russia

"Last year, it seemed that foreign investors swallowed all the good news about Russia and ignored the bad. This year, the reverse appears to apply. While many of the world's stock markets are soaring to new highs, the Russian market has been quietly crumbling. Page 20

COMMODITIES

Barclays in \$3bn nickel contract

Barclays, the UK banking group, has set a precedent by not only promising to finance a \$450m nickel-cobalt project but also agreeing to take all the metal it will produce for 10 years. The value of this contract is nearly \$3bn. Page 21

CURRENCIES

Digesting Emu deal's implications

The foreign exchange markets will begin the week digesting the deal by which Wim Duisenberg of the Netherlands will spend around four years as the European Central Bank's first president before stepping down "voluntarily". The need for a compromise to satisfy France, which had put up its central bank governor for the job, is expected to weigh on the D-Mark and the other euroland currencies - in the short term at least. Page 23

MARKETS

New York

After a surprise drop in non-farm payrolls in March, the latest monthly report on US employment conditions, due on Friday, seems likely to bring a return to the strong jobs growth that has now become the norm. Page 22

London

Investors will be hoping that London's equity market can extend the schilling performance of last week which saw the FTSE 100 recross the 6,000 level and the two junior FTSE indices close the week at record highs. Page 22

FT GUIDE TO THE WEEK

— full listings Page 32

POWER TO THE CITY

Londoners vote in a referendum on Thursday on whether there should be a capital-wide election of a mayor for London and a greater London authority to co-ordinate policies in areas such as planning, the environment, tourism and transport. **ANNAN TO VISIT COURT**
United Nations secretary-general Kofi Annan is due on Tuesday to visit the International Criminal Tribunal for Rwanda in Arusha, Tanzania, a UN court set up after the 1994 genocide to try the ringleaders.

DUTCH VOTE

The Netherlands goes to the polls in a general election on Wednesday. The PvdA labour party of Wim Kok, prime minister, enters the contest as favourite.

COMPANIES IN THIS ISSUE

Alitalia	17	Houston Industries	1
American Airlines	16	Ir	17
American Express	17	KLM	17
Amsterdam SE	20	LucaVarity	17
BAT Industries	20	Lufthansa	16
Barclays	21	PowerGen	1
Berkshire Hathaway	20	Preston Resources	21
British Airways	16	Rheinmetall	19
Capital Z Partners	21	Rolle-Royce Motor Cars	17
Caterpillar	21	Rover	17
Ciba	16	Scania	17
Exxon	21	Swiss Re	20
Cosworth	17	Thyssen	18
Ford	17	United Airlines	16
Fortis	20	Vickers	17
General Motors	19	Wal-Mart	19
Generale de Banque	20	Zurich Group	21, 20

MARKET STATISTICS

Base lending rate	21	Foreign exchange	21
Bankmark Govt bonds	21	London recent issues	22, 23
CompuLink	20	London share service	22, 23
Dividends and company mps	10	Managed funds service	24-26
FTSE-A World indices	21	Money markets	21
FT Gold mines index	20	New and bond issues	20
FT Guide to currencies	18	Stock markets at a glance	20

Alitalia offering faces challenge

By Vincent Boland in London

A L1,000bn (\$577m) offering of shares in Alitalia, Italy's flag-ship airline, begins today in the teeth of a sharp sell-off on the Italian stock market and a political row over the airline's plan to make Milan's new airport its international hub.

Volatile shares and political row may hurt \$557m sale

A L1,000bn (\$577m) offering of shares in Alitalia, Italy's flag-ship airline, begins today in the teeth of a sharp sell-off on the Italian stock market and a political row over the airline's plan to make Milan's new airport its international hub.

Both developments have undermined Alitalia's share price, which has swung sharply this year. It rose from a low of L12,180 in early January to a high of L46,000 in mid-April. It stood at just over L28,000 at the end of last week.

One analyst said the airline was "substantially overvalued" at the current share price. "International investors will expect a discount for the airport issue, but domestic retail investors may ignore it altogether," he said. A substantial portion of the shares is likely to be aimed at ordinary Italian investors.

The offering is a combination of shares owned by the holding company and new shares from a capital increase. It is being led by IMI and Salomon Smith Barney, the investment banks, and is one of the most high-profile privatisations from Italy this year.

AmexCo targets accountants in US expansion

By Jim Kelly, Accountancy Correspondent

American Express is to acquire a string of accountancy firms in several US cities as part of a strategy which could have repercussions on both sides of the Atlantic.

Senior executives of the US financial services group are understood to be seeking further acquisitions in New York, Dallas and Houston and in several other large US commercial centres as part of a strategy which could have repercussions on both sides of the Atlantic.

Through its subsidiary, American Express Tax and Business Services, the group has built an accountancy business with annual fees of more than \$100m. It has an unofficial target of \$500m in fees by 2000.

American Express now has 64 offices in 19 states targeted on the small to medium-sized business sector.

"We are focused on growing in the US and we would like to be in all the major markets - that leaves another 31 states to go," said Richard D'Ambrosio, an American Express official.

"We are trying to become the single financial resource for small businesses in the US."

Mr D'Ambrosio said the selling of products to clients was "extremely above board", adding: "We value the trust these firms have with their clients and we would not diminish that trust in any way."

The firms acquired by American Express, which are also growing quickly through further local acquisitions in the cities in which they are based, are seeking to operate as stand-alone accountancy firms and to provide a string of other services including:

- Access to lenders and credit products.
- Equipment financing.
- Advice on business start-ups.
- Accounting and financial controls advice.
- Cash flow planning.

The acquisitions also represent an opportunity for smaller firms to broaden their services to take advantage of the explosive growth in consulting revenues which have powered the so-called Big Six international firms.

AS VOLKSWAGEN PREPARES TO CHALLENGE BMW FOR R-R MOTOR CARS, PARENT LOOKS AT COSWORTH DEAL

Vickers in talks with Ford over engines group

By Halg Simonsen, Motor Industry Correspondent, and Andrew Edgcliffe-Johnson

Vickers, the UK engineering group, disclosed yesterday it had held "initial conversations" with Ford of the US about a possible partnership or joint venture with its Cosworth specialist engines group.

The news came as Volkswagen, the German car maker, was expected this week to table an offer to Vickers of between \$400m (\$668m) and \$500m for Rolls-Royce Motor Cars, in response to BMW's \$340m agreed bid for the luxury car maker. Volkswagen wants to buy all or part of Cosworth as part of its bid, but BMW does not.

shareholders of Vickers, the luxury car maker's parent company, to accept what it claims will be a higher offer that guarantees the British character of the company.

It was likely to use the record of its 1994 acquisition of UK car manufacturer Rover to counter any attempts by Volkswagen to sway British opinion in the battle for Rolls-Royce Motor Cars.

In an interview with the FT, Mr Hasselkus said he expected BMW to use Rover in developing Rolls-Royce Motor Cars once it took control. Purchasing needs of the two UK car makers would be combined to help Rolls-Royce Motor Cars cut costs.



Motoring venture: Ford Escort RS Cosworth showing its rallying abilities in Greece. Picture: AP

Scania plans overhaul to expand market share

By Tim Bart in Stockholm

Scania, one of the world's leading heavy truck producers, is planning an overhaul of its distribution, marketing and finance activities to try to bolster its international market share.

The Swedish company, which is studying a move into medium-size trucks, has drawn up proposals to separate its non-manufacturing activities into a new trading division

with its own management structure. This is the latest step in a campaign to revive market perceptions of Scania, that have been undermined by cost overruns associated with new products and disappointing profits since its stock market listing in 1996.

Leif Ostling, Scania chief executive, believes strengthened distribution and marketing will help exploit growing volume demand, particularly in western Europe and the emerging markets of Russia and eastern Europe.

He said that in the absence of bolt-on manufacturing opportunities in Europe, an expanded dealer and distribution network would help Scania increase its 16 per cent share of the European market.

Europe, more than 40 per cent are wholly-owned by Scania. Scania hopes to strengthen its dealership presence before deciding whether to launch a series of 12-16 tonne medium size trucks, which would be based on its 4-Series heavy truck platform.



RICHARD WATERS
GLOBAL INVESTOR

The squeeze is on

Seen through the prism of Corporate America's profit and loss account, last week's dramas in the financial markets neatly sum up a now-familiar set of economic parameters. They also help to focus the attention on where profit growth will have to come from if US companies are to keep pushing ahead in the late stages of this economic expansion.

The US economy has grown at a rate of more than 2.5 per cent for eight consecutive quarters, a change from the fast-slow early years of this expansion (good for profits). But labour costs have risen steadily in the past year (bad) and the Fed seems to have gone on renewed inflation alert (potentially very bad).

However, unless you are an airline, you are probably still finding it difficult to raise prices (a nuisance, but not as bad as the higher interest rates that would accompany widespread price increases).

After three years, the dollar's rise is moving from being a nuisance to a downright threat. The heavy translation impact seen in this year's earnings statements will eventually turn to loss of competitiveness.

These economic headwinds, and their impact on earnings, have become increasingly familiar to American executive suites and on Wall Street. Back in 1996, a price/earnings ratio approaching 30 looked demanding, but at least there was earnings growth of 15 per cent to look forward to. These days, a P/E of 23 and growth

rate of 7 per cent or so looks far more challenging. As "real" profit growth has become harder to come by, it has put more emphasis on the sort that comes from restructuring, stock buy-backs and all the other tools of corporate and financial engineering.

The question now is: how much more scope is there for American companies to lift earnings through restructuring, stock buy-backs and takeovers? The top of stock buy-backs, at least, does not seem likely to be topped off. Corporate cashflow remains strong and the number of companies that seem persuaded by the merits of repurchasing their own shares is growing.

Opportunities for continued corporate restructuring also seem plentiful, though the gains inevitably get smaller as time goes on. Five years or more after the revolution that was meant to have transformed big American companies, giants such as AT&T and Kodak are only now laying into more sackings with real appetite. Successful companies such as Xerox are also turning up the heat. As General Electric - now deep into another restructuring effort - keeps demonstrating, this can become a never-ending process.

The shuffling of assets through the takeover market should also continue to provide fuel for raising performance - though, again, the lowest hanging fruit has already been plucked. There is

"The most important business meeting on Asia this year will actually take place in Chile..."

The Pacific Basin Economic Council 31st International General Meeting "Pacific Prosperity: Sustaining Momentum into the 21st Century"

May 22-27, 1998 • Sheraton San Cristobal Hotel • Santiago, Chile

GOVERNMENT LEADERS TO SPEAK INCLUDE:

- His Excellency Eduardo Frei Ruiz-Tagle, President, Republic of Chile
- His Excellency Carlos Federico Rodón, Vice President, Argentine Republic
- His Excellency Dr. Ing. Bachardín Juncal Hualde, Vice President, Republic of Indonesia
- His Excellency Ricardo Márquez, Vice President, Republic of Peru
- The Right Honourable Don C. McKinnon, Minister of Foreign Affairs and Trade, New Zealand
- The Honourable William S. Cohen, Secretary of Defense, United States

PLENARY SESSIONS:

- How Does Asia Return to Prosperity and Prevent the Next Crisis?
- Tackling Corruption: The Need for Business To Take the Lead
- What is the Role of the IMF in Resolving Regional Turbulence?
- Financial Crisis: What Lesson Can the Banks Learn?
- Liberalization and Privatization: The Stimuli for Continued Economic Growth
- Peace and Stability: The Cornerstone of Prosperity
- A Look into the Information Era
- Cities: Inevitable Challenges, Progressive Solutions
- Free Trade in the Americas: Are there Lessons for the Pacific Region?
- Media Reporting on International Trade: How Can Business Leaders Promote the Good News?
- Korea and ASEAN: Similar Challenges, Different Approaches

EXECUTIVE ROUNDTABLE DISCUSSIONS INCLUDE:

- Reform in Japan: Can it Meet the Challenges of the 21st Century?
- Maintaining Political Stability in the Face of Economic Hardships
- State Owned Enterprises: The Biggest Challenge to China's Reform?

The Voice of Business in the Pacific

The Pacific Basin Economic Council (PBEC) is an association of senior business leaders, representing more than 1,200 major corporations in 20 economies around the Pacific, with combined global sales of more than US\$4.25 trillion and more than 10.9 million employees. PBEC's International General Meeting (IGM) is an important forum, offering a unique opportunity for the region's most senior corporate executives and government leaders to discuss, in a frank and intimate setting, the key issues in the regional economy, and to publicly issue policy recommendations and statements.

For more information on PBEC or the 31st IGM visit our web site at www.pbec.org

Pacific Basin Economic Council
1000 West Street, Suite 1800, Honolulu, Hawaii 96813
Phone: +808-521-3344 Fax: +808-521-8550 Email: info@pbec.org



مكتبة الركن

Shift of pace as Rover changes gear to manoeuvre around challenges

Haig Simonian on the UK carmaker's remodelling following the BMW takeover

Relax, it's a Rover - so said the soothing catchline in a recent advertising campaign. But just as the UK carmaker was accelerating to cruising speed - after a slog through the gears since being bought by Germany's BMW in 1994 - the road ahead suddenly looks much tougher.

It was a bitter-sweet year for Rover in 1997. Turnover rose slightly to \$6.6bn, while car exports went up 4.7 per cent to 290,000. That helped the company report its first operating profit since the takeover. Losses meanwhile, calculated according to BMW's arch-conservative criteria, fell DM32m to DM260m (\$27.8m).

The swing to an operating profit of DM38m from a loss of DM67m was all the more remarkable since it came against substantially higher spending on product engineering. And depreciation rocketed from DM875m to DM1.2bn over the same period, said Walter Hasselkus, Rover's chairman since September 1996.

But what made the move into the black particularly satisfying for him and his colleagues was that it came against a severe deterioration in trading conditions because of the strong pound. Buoyant sales of the new Land Rover Freelander, the

first Rover developed entirely under BMW, had helped increase employment 10 per cent to 39,500 since BMW gained control.

Mr Hasselkus said even more jobs would have been created had the strong currency not held back Rover sales in foreign markets.

Rover officials disputed government claims that Britain's manufacturers could compensate for the strong currency by curbing wage rises. It would take a 40 per cent cut in Rover's wage bill to make up for the strong pound's impact on foreign sales, said an official.

Mr Hasselkus said the pound's strength had also raised doubts over Rover's target to restore profits by 2000.

Much of the improvement has come abroad, where marketing, better models and a much improved dealer network have lifted sales volumes. Exports to Italy virtually doubled to 60,000 units last year, compared with 1995. In Germany, they reached 20,000 from 12,000 before BMW's arrival.

And sales outside Europe, the US and Japan rocketed to 60,000 in the same period as the company resumed exports to countries from which it had long been absent.

The company claims it is on track even in the UK, the only - but biggest - part of its operations which does not fit its upbeat message.

Rover's UK sales have been steadily eroding in recent years. But Mr Hasselkus argues the recent decline has largely been deliberate, as Rover has moved away from low margin fleet sales, done partly to

maintain capacity utilisation, to more profitable sales to private buyers.

The margin improvement has been reinforced by a root-and-branch revision of the UK dealer network to eliminate marginal outlets and concentrate on dealers ready to invest in the brand moves upmarket, he says.

According to Mr Hasselkus, the home market should pick up as more new models come on stream. The process started late last year with the Freelander, Land Rover's eye-catching new sports utility vehicle.

Demand for the car, the centrepiece of a massive investment programme at Land Rover's Solihull base in the west Midlands, should see total output reach about 200,000 units this year, compared with 130,000 in 1997.

Land Rover's profits will be boosted by the arrival of the new Discovery, to be unveiled at the Paris motor show in October.

Although externally very similar to the current model, engineering changes mean it should be appreciably cheaper to build.

Better quality and reliability should make the model more competitive in an increasingly crowded market, improving margins. And profits on the vehicle should also rise as the Freelander's arrival below the Discovery in Land Rover's range means the new Discovery



Walter Hasselkus: 'The best is yet to come'

Lydia van der Meer

can be moved slightly upmarket, said Mr Hasselkus.

Rover's biggest step, however, will not come until the end of the year when its new R40 saloon sees light of day.

Designed to replace the slow-selling 600 and the venerable 800 Series models, Rover hopes to build 100,000 R40s a year - double that of the 600 and 800 combined. Rover's new cars should help lift output this

year, although their full impact will only come through in 1999.

However, two factors will work against them: the demise of the Rover 100, which accounted for 39,000 units in 1997 and which will still sell about 15,000 this year as production runs down; and, of course, the strength of sterling, which threatens to constrain exports just as Rover's range finally revs up.

COMMENT

Blair and the euro

Poor Tony Blair. Britain's most popular post-war prime minister had to preside over the weekend's euro-fudge and is not even going to be part of the project. Some voices will say that is just as well: Britain should not plunge into such a risky project. Risks there certainly are. But Britain is better placed to thrive under the straitjacket of a single currency than most other nations. When it comes to labour flexibility, corporate taxes, welfare reform and the corporate sector's commitment to shareholder value, Britain is near the top of the European league. The irony is that the lion's share of the credit is due to the viscerally Eurosceptic Margaret Thatcher.

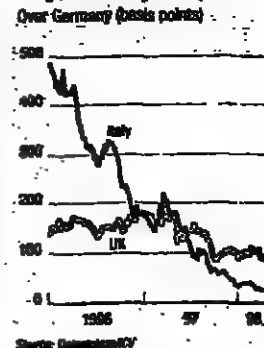
It is not just that the UK has the flexibility to cope with the strains of Emu. After two decades of restructuring, British firms would be in good shape to reap the benefits of the single European market that Emu will help complete. The City of London would be firmly centre-stage in a unified European capital market run on Anglo-Saxon lines.

So not being in at the start is a missed opportunity. True, this is no disaster. London faces little threat of being dislodged as Europe's financial capital. And Emu will bring Anglo-Saxon capitalism into the heart of Europe whether Britain is part of the project or not. Nevertheless, the City's advantage could be eroded at the margin, particularly if Emu's members try to rig the rules of the game to their advantage. One small example is the French and German pressure on their financial sectors to adopt a European standard for inter-bank interest rates rather than London's established Libor.

What, though, about being out of sync with the European cycle? Clearly, joining Emu would have a one-off cost as the UK had to get into step with the Continent. But this problem is not going to go away by waiting. Sometimes it is necessary to bite a bullet.

Moreover, being out of sync has its costs too, as Britain's exporters have recently been buffeted by the strong pound. In comparison with the convergence benefits enjoyed by the likes of Italy, the effect of the Blair government's boldest economic step - making the Bank of England semi-independent - seems trivial. See chart.

10-year bond yield spreads (per cent) (basis points)



Source: Economist

RANDGOLD

Incorporated in Jersey, Channel Islands Reg. no. 04086

REPORT FOR THE QUARTER AND 12 MONTHS ENDED 31 MARCH 1998

HIGHLIGHTS OF THE QUARTER

- **Systems**
 - The use of open pit mining processes in the Randgold mine.
 - Consolidation of many open pit mining operations.
 - Installation of first reagent mill and first phase flotation circuit complete - final construction in progress.
 - Cost reduction and expansion programme on track.
 - **S&P Prospect** in the Randgold mine, now confirmed as a 7.1 million ounce deposit. Feasibility is in progress.
 - **On-site exploration** at Randgold mine has confirmed the potential viability of the Randgold Project.
 - **Number of exploration targets reduced from 183 to 115. Total groundholding is now 17,715 km².**
 - **Resource base increased from 2.75 million ounces to 1.4 million ounces.**

Randgold Resources has 1.4 million ounces of gold in its Randgold mine as at 31 March 1998

CONSOLIDATED INCOME STATEMENT				
	Quarter to 31 March 1998	Quarter to 31 March 1997	Unaudited 12 months to 31 March 1998	Audited 12 months to 31 March 1997
US \$000				
Revenue	8 183	11 891	43 334	35 333
Sales and other income	7 474	10 945	38 154	32 485
Finance and other	475	546	1 179	848
Operating costs	18 784	16 417	63 354	39 300
Cost operating costs	10 604	11 198	41 336	26 394
Depreciation	2 914	4 362	17 975	13 175
Amortisation and valuing	515	850	8 565	5 808
Other expenses	451	1 818	1 122	280
Operating profit	7 533	4 026	19 616	16 033
Finance expenditure	574	3 305	14 881	13 964
Interest payable	1 283	2 297	2 997	3 844
Loss on disposal	18 014	60 084	22 844	22 844
Finance	19	87	230	72
Loss after taxation	13 908	19 701	48 279	23 229
Minority interests	9 554	11 073	42 323	42 323
Attributable loss	23 799	9 636	42 338	17 706
Dividends paid (proposed)			968	968
Loss per share (2)			5.46	5.46
Average shares issued			17 694 904	17 694 904

Comparative figures are given for the 12 months to March 1997. The comparative figures contain only 6 months of 1997.

COMPANIES & FINANCE

Thyssen arm in \$100m tools project

By Peter Marsh

Thyssen Production Systems, the machine tool arm of the German engineering and steel giant, is spending \$100m on a new family of tool systems, in one of the industry's biggest development projects.

The programme, due to be completed by around the end of this year, will bring together the expertise of Thyssen's Germany-based machine tool subsidiaries with that of Giddings & Lewis, the US machine tool supplier acquired by Thyssen last year for \$675m.

With Giddings, Thyssen's machine tool sales total \$1bn a year, making the company among the world's leading machine-tool makers.

The acquisition was the biggest yet in the world's \$40bn a year tool industry, a fragmented sector with thousands of suppliers, few of which operate globally.

The new Thyssen project is taking ideas from across the group in two important sectors of machine tools - machining centres and transfer lines - and creating new families of these products which can be assembled for customers according to requirements.

The aim is to offer purchasers of machine-tools, such as car or aerospace companies, a range of machines that can be fitted into their production sites

around the world from Thyssen Production Systems' worldwide network of about 30 plants.

The machines in the new systems - expected to account for up to 75 per cent of the group's sales within a few years - will sell individually for between about \$15,000 and \$10m, depending on the application.

Thyssen hopes the new systems will enable its machine-tool arm to expand slightly faster than the sector worldwide, which is projected to increase revenues at 4 per cent annually over the next few years.

To emphasise the joint German-US nature of the development, many of the new machines will be marketed under a new name, Cross Hüller.

This has been derived from two companies previously part of the two separate companies - Cross & Trecker which had been part of Giddings, and Hüller Hille, a Thyssen subsidiary.

"There has been a real sense of co-operation about this project as we have learned things from each other," said a Thyssen manager who was previously with Giddings.

Thyssen is itself merging with Krupp, another big German industrial group, this September, but the move will not affect the operations of the machine-tool subsidiary.

Broad is beautiful for the chairman of Rheinmetall

German industrial group is keen to boost sales through diversification, write Peter Marsh, Alexander Nicoll and Haig Simonian



If conglomerates are a dying breed, no one has told Hans Brauner, chairman of Rheinmetall, the German industrial group. Since 1996, the company has doubled in size by spending DM500m (\$281m) on electronics and car components companies to build on its core defence equipment activities.

Mr Brauner is keen to take Rheinmetall's annual sales further. Boosted by acquisitions, especially in car parts, sales should rise from last year's DM6.6bn to more than DM7.0bn by 2000.

At the helm since 1985, Mr Brauner defends the sprawling activities of the group. These include MaK in armoured vehicles, Jagben in paper machinery and a variety of automation and security systems businesses.

"My main aim has been to reduce Rheinmetall's dependence on military equipment," says Mr Brauner.

Last year this area provided 18 per cent of sales, down from more than 50 per cent in the early 1990s.

Mr Brauner argues that diversification is essential to the group's growth when military budgets are under pressure around the world.

The continuing importance of defence to the company is, however, underscored by MaK's membership of the pan-European consortium that recently won a \$3bn (\$5bn) contract to build up to 6,000 "multi-role armoured vehicles" for European governments over the next decade.

Mr Brauner says Rheinmetall's 50 or so subsidiaries are left to operate largely as independent businesses but have common links in electronics and technology.

This has impressed investors. Since early 1996, when the company started to diversify, Rheinmetall's preference shares have outperformed the German market by about 50 per cent. Last year, Rheinmetall's net income came to more than DM180m, after DM45.4m in 1996, on sales of DM3.65bn.

Richard Schramm, an analyst at Trinkhaus & Burkhart in Düsseldorf, praises the company's effort to broaden its base, while Winfried Becker, of Commerzbank in Frankfurt, says: "Rheinmetall has reached a good critical size."

A keystone of the diversification was Rheinmetall's teaming-up in 1996 with British Aerospace and Badenwerk, the German utility, to take over STN Atlas, a German defence electronics company with expertise in guidance systems for torpedoes and tanks.

While the new armoured vehicle contract is a boost for MaK, Mr Brauner expects it to trigger consolidation in the sector because the winning consortium, which also



Hans Brauner: targeting purchases in North America. Ashley Ashwood

cross-holding arrangement rather than a merger.

Together, the hardware and electronics parts of Rheinmetall's defence side should expand sales from DM2.3bn last year to some DM3bn by 2000, says Mr Brauner.

But the bulk of the group's growth will come from car parts, he reckons. An important step came through the merger, finalised in January, of Rheinmetall's Pierburg engine parts subsidiary with Kolbenschmidt, a rival engine specialist. Rheinmetall has 75 per cent of the merged company, Kolbenschmidt Pierburg.

Kolbenschmidt Pierburg should raise sales from an estimated DM3bn this year to DM3.5bn by early next century, he forecasts.

That growth will come in two ways. Mr Brauner says he is examining deals to buy companies with sales of between DM300m and DM800m. He believes a rising number of such family-owned groups, concentrated in Germany, are becoming aware of the need for greater size but lack the resources to achieve it on their own.

Mr Brauner's other target is North America, where he would like to expand sales. He declines to name targets.

but says Rheinmetall will shy away from multi-billion dollar deals. The earliest opportunities could be disposals by Federal-Mogul, the US engine components group, to gain anti-trust approval for its takeover of Britain's T&N group, he hints.

Rheinmetall is also anxious to expand sales in industrial electronics, from DM1.3bn last year to DM2bn by 2000.

By contrast, only moderate expansion is planned in its machinery activities, two-thirds of which are in papermaking equipment. With papermaking hit hard by the crisis in Asia, Mr Brauner expects sales in the machinery division to creep up from DM1.1bn last year to about DM1.3bn by 2000.

With a DM200m capital-raising under way, Mr Brauner will not be short of cash for purchases. "But we are not looking just to increase volumes, but to grow profits."

With roughly half Rheinmetall's sales outside Germany, Mr Brauner is keen on expansion outside Europe. If his plans succeed, the proportion of turnover from the Americas and Asia should rise from 20 per cent to around a quarter by 2000.

Cifra shares under pressure

By Henry Tricks in Mexico City

Shares in Cifra, Mexico's largest retailer, are expected to come under pressure in Mexico today due to disappointing first-quarter results as it merges its Mexican operations with those of Wal-Mart of the US.

On Friday, when Mexico's stock exchange was closed due to the May 1 holiday, Cifra's shares traded in the US tumbled, analysts said. They expected more selling when the local market reopens today. Cifra, with a market capitalisation of \$3.5bn, is one of the heaviest traded stocks in Mexico.

J.P. Morgan, the US investment bank, added to the gloom by downgrading Cifra in its recommendation to investors to a long-term buy from a buy, due to the worse than expected first-quarter results. Earnings fell 6 per cent to 45m pesos (\$52m) and profit margins were squeezed.

The results showed Cifra was still struggling to bene-

fit from the move to combine and consolidate its operations in Mexico with Wal-Mart, with which it has a joint venture. Until last September, its results only reflected its own 50 per cent share of the partnership.

The Mexican company, which is the biggest retail chain in Latin America with first-quarter sales of \$1.3bn, is integrating Wal-Mart's stores to bolster economies of scale, sales and profitability.

However, the bulk of the Wal-Mart stores are giant Sam's Club and Bodega supercentres, with low gross margins. Lay-offs have added to costs.

Nevertheless, most analysts expect the joint venture to pay off later this year. The company plans to invest some \$360m within the next 18 months to open new stores.

Like other Mexican retailers, Cifra is also benefiting from a rebound in consumption after the 1995 peso crisis. Management expects same-store supermarket sales growth of 14 per cent in April.

GM award for LucasVarity

By Andrew Edgecliffe-Johnson

LucasVarity, the car parts group, has been named as "company of the year" by General Motors - the highest award the US automotive giant can grant to any of its 30,000 suppliers.

The award has gone to the Anglo-American group's light vehicle braking systems division (LVBS), which equips almost all GM's North American light trucks and sports utility vehicles with anti-lock braking systems.

The news comes a month after the brakes division won its largest contract from GM since the company was created in September 1996 through the merger of Lucas Industries of the UK and Varity Corporation of the US.

The deal covers advanced control systems for future GM passenger cars, and includes anti-lock braking systems, traction control and vehicle stability control.

GM is LucasVarity's largest customer and accounts for about a quarter of the LVBS division's sales.

At the time, Victor Rice, the LucasVarity chief executive who created the company, said the contract was not one that Lucas or Varity could have won on their own.

Analysts at SRC Warburg Dillon Read highlighted the award as they recommended

LucasVarity's shares last week. "At a time when many are criticising LucasVarity as having a second-rate product, this type of backing should be well received," they said.

SBC Warburg added that LucasVarity now deserved to be on a similar rating to industry leaders such as Dana Corporation, whose enterprise value is now more than nine times its earnings before interest, tax, depreciation and amortisation.

Harold Kutner, GM vice-president for worldwide purchasing, said the award recognised the LVBS division's "outstanding, consistent quality and responsiveness to our needs", adding that it had established an excellent record in product quality.

Mr Rice said GM's recognition was "strong evidence that our corporate commitment to total quality is paying exceptional dividends with our customers".

LucasVarity took 100 per cent control of Brazil's largest brakes maker earlier this year.

A series of positive announcements on contract wins has helped boost the company's shares by 33 per cent since mid-January, following a sluggish performance in the first year after the merger was announced.

GM also named Freitas Varga as one of its 182 suppliers of the year.

BAT INDUSTRIES

Financial services profit up 16%, with tobacco ahead by 7%

Three months unaudited results to 31 March 1998

OPERATING PROFIT	£659m	+10%
PRE-TAX PROFIT	£573m	-2%
EARNINGS PER SHARE	10.7p	-4%

- Trading profit from financial services rose by 16 per cent to £298 million, with excellent results from almost all parts of the business. Non-life profit was 22 per cent higher at £167 million and life profit grew by 9 per cent to £131 million.
- Tobacco trading profit at £369 million was 7 per cent higher and Group cigarette volumes rose 2 per cent. There were good performances from the Latin America, Europe and Amesca regions, partly offset by America-Pacific and Asia-Pacific.
- The pre-tax profit comparison was affected by the absence of last year's £46 million gain on disposal of a business, together with a higher interest charge and adverse currency movements.
- Much progress has been made in preparing the Listing Particulars for Allied Zurich and British American Tobacco and the Board remains firmly convinced that the proposals will prove very beneficial for shareholders.

COMPANIES & FINANCE

Shareholders gather round the Sage of Omaha

The annual meeting of Warren Buffett's Berkshire Hathaway took place this weekend. William Lewis attended the festivities

In scenes reminiscent of the 1993 film *Groundhog Day*, this weekend saw Warren Buffett and other shareholders in Berkshire Hathaway reliving the traditional festivities in the run-up to today's annual meeting of the investment company Mr Buffett controls.

On Saturday night, in front of a crowd including hundreds of faithful shareholders, Mr Buffett - known as the Sage of Omaha - pitched the first ball at the Omaha Royals baseball game. Yesterday, accompanied by shareholders, he visited Borsheim's, Omaha's best known jewellery store, and then moved on to Goret's, a steakhouse run by one of his high school friends.

It is the same every year, but Mr Buffett shows no signs of wanting to break out of his annual routine in Omaha, the town he calls "the cradle of capitalism".

Indeed he appears to revel in it. "We like things just the way they are here," he told the Financial Times while signing autographs at the baseball game.

Furthermore, his warnings earlier this year about the future investment performance of Berkshire - which he is expected to reiterate at the AGM - will also have been familiarly reassuring for investors. "Our rate of progress in both investments and operations is certain to fall in the future," he wrote in the investment company's annual report, published in March. "At our present size, any performance superiority we achieve will be minor."

Shareholders have heard the same from Mr Buffett several times over the past four decades. But each time have cheerfully ignored him. In 1964 he told investors in the partnership which predated Berkshire: "Our margin over the Dow cannot be maintained." That year the return for investors was 27.8 per cent against 13.7 per cent for the Dow.

At last year's meeting he declared that investment returns over the next 10 years would be substantially lower than in the past 10 to 15 years as it would be hard to come by investment opportunities similar to Coca-Cola and Gillette, which Berkshire has long held large stakes.

Nevertheless, during 1997 Berkshire achieved a per share book value increase of 34.1 per cent. In the 1997



Warren Buffett: Likes things the way they are

annual report, Mr Buffett described this investment performance as "no great triumph", but shareholders disagreed.

The company's A-shares are now trading at \$69,300, up by 50 per cent from \$46,000 at the beginning of the year. Over the past 33 years, Berkshire's book value has grown from \$19 a share to \$65.48.

Yet there are signs things may be really changing for Mr Buffett and Berkshire. Approximately 10,500 shareholders are expected to attend the AGM at the Ak-Sarben (Nebraska spelled backwards) Coliseum, making it one of the largest company meetings in the US.

The size of the meeting, up from only 12 people 17 years ago, to 5,400 in 1996 and 7,000 last year, would be welcomed by the chairman of most public companies. However, it appears to worry Mr Buffett, who has talked of the importance of having shareholders who feel and act as real owners of Berkshire and not just holders of its stock.

"We don't want it [the attendance] to go over 11,000," he told the Financial Times on Saturday.

In part, the rise in attendance is due to Mr Buffett's decision two years ago to introduce a new tranche of lower priced B-shares. It doubled the number of shareholders to 100,000, hundreds of whom are attending today for the first time.

Yet old timers say it is not just the numbers that are changing, but also the mix. They talk of a curious intimacy affair in the past, with Mr Buffett on first-name terms with many shareholders. Today, the meeting appears to be a must-do for

many Wall Street fund managers and investment bankers with their clients.

Mr Buffett declined to comment on Berkshire's future possible investments, but warnings from him and his long-standing investment partner Charlie Munger, Berkshire's vice chairman, that they are having difficulty identifying the next big investment ideas are now beginning to be taken seriously by his shareholder followers.

The hot topic of conversation this weekend was Mr Buffett's surprise leap into the volatile silver market. In February, in a move away from his renowned buy-and-hold-value investing techniques, Mr Buffett announced that Berkshire owned 128.7m tonnes of silver, about 20 per cent of the world's total supply. In the annual report he disclosed that Berkshire had also been engaging in commodity speculation, involving the purchase of contracts to buy 45.7m barrels of crude oil and producing a pre-tax profit of \$61.9m.

Put together with Berkshire's sell-off last year of a large part of its holding of McDonald's, the fast food chain, some shareholders say they are now prepared to believe Mr Buffett's warnings that his traditional investment strategy is becoming difficult to sustain.

Several investors queuing on Saturday night to meet him confessed to doubts about how much longer the "Buffett miracle" could continue. "I have been meaning to come to this weekend for years but never got round to it," said one. "But I just had to come this year, you know, before it changes too much."

EMERGING MARKETS LAST YEAR'S BUYING SPREE APPEARS OVER AND A MORE SOBER MOOD NOW PREVAILS

Honeymoon ends for Russia's market

By John Thornhill in Moscow

Last year, it seemed that foreign investors swallowed all the good news about Russia and ignored the bad. This year, the reverse appears to apply.

While many of the world's stock markets are soaring to new highs, the Russian market has been quietly crumbling.

Foreign investors appear to have jumped on every scrap of bad news to justify selling Russian assets.

In US dollar terms, the RTS index, which tracks Russia's most liquid stocks, has fallen more than 21 per cent since the beginning of the year.

Dirk Damrau, head of the research unit at M&F Renaissance, the London-based investment bank, says there is "great sobriety" hanging over the market at the moment.

"The euphoria of last year when everyone was saying 'Buy Russia!' has turned into more sober consideration of 'What on earth have we bought?'" he says.

There appear to be several reasons for this. The most obvious is the renewed political uncertainty that has

buffeted Russia after President Boris Yeltsin sacked his long-standing prime minister, Viktor Chernomyrdin, and nominated the politically unknown and inexperienced Sergei Kiriyenko in his place.

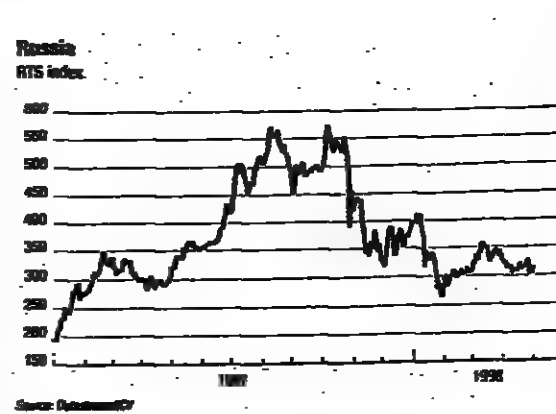
Mr Yeltsin eventually browbeat a reluctant parliament into approving Mr Kiriyenko after a five-week struggle. Nonetheless, investors remain cautious about the new prime minister's ability to implement tough policies.

Last year, the Russian stock market surged when the reform "dream team" of Anatoly Chubais and Boris Nemtsov was put in place to run the government. But their reform drive later ran into the sand in the face of entrenched financial interests. It is not clear that Mr Kiriyenko will fare any better.

This time round, the market is only likely to be moved by proof rather than promise of reform.

The second reason for the Russian market's weakness has been that investors have grown far more sceptical about the quality of assets they are buying.

The financial turmoil that has rocked southeast Asia drove home the importance of financial transparency, good corporate governance,



and clear demarcations between government and business in sound market economies.

On all these fronts, Russia scores poorly. Success in the country's nascent market economy still depends as much on proximity to the Kremlin as it does on commercial acumen, while the financial workings of many industrial groups remain all but unathomable.

Although the transparency of financial reporting is improving, some observers even question the usefulness of Russian accounts prepared on an International Accounting Standards (IAS) basis in providing a "true and fair" view.

These doubts particularly concern the vexed issue of how holding companies can suck value out of their daughter companies to the detriment of minority shareholders.

ing on the more uncertain prospects for growth in earnings.

A few years ago, investors argued that the gap between the valuation of Russian and international assets was so extreme that it was a "no-brainer" to buy Russian shares.

But that margin for error has been eroded over the past two years after the Russian market surged in value. Now, investors are concentrating on the ability of Russian companies to squeeze profits out of their vast assets; many are worried by how slow the progress has been.

The fall in international oil prices has eroded the profits of the oil sector, which accounts for half the stock market's value. It has also increased the pressure on the government's finances, driving interest rates higher and damping economic growth.

Mr Damrau argues that Russian equities are finally being judged by the same yardsticks as apply in any other market, showing how much the market has matured.

Russia is no longer a "miracle market" capable of producing returns of more than 100 per cent a year. It will be a lot tougher slog from here.

Swiss insurers lift earnings

By William Hall in Zurich

Big investment gains and low insurance claims led to further sharp rises in profits for 1997 at Swiss Re and Zurich Group, Switzerland's top two insurance companies.

Swiss Re, the world's second biggest reinsurer, lifted net profits by 45 per cent to SF2.12bn (\$1.42bn), while Zurich, saw a rise of 37 per cent to SF1.79bn, after a SF457m charge for non-recurring costs.

Swiss Re is raising its dividend by 47 per cent to SF4.4, while Zurich is increasing its pay-out by 25 per cent to SF3.9. In addition, it is paying a SF3 bonus dividend to mark its 125th anniversary.

The results of both companies were affected by acquisitions. Swiss Re's purchase of Mercantile & General Re and Unione Italiana di Rassicurazione, contributed to the 60 per cent rise in gross life premiums to SF3.56bn. Non-life premiums grew 15 per cent to SF2.12bn.

Zurich's figures were depressed by costs related to the acquisition of a majority interest in Scudder Stevens & Clark, a US money manager. As a result its asset management operation reported a SF280m pre-tax loss, covered with profits of SF920m last year.

Zurich's gross premiums grew 10.1 per cent to SF3.0bn, reflecting the weakness of the Swiss franc against several of Zurich's leading currencies. In local currency terms premiums rose 0.4 per cent.

A Swiss Re said that in spite of a 43 per cent rise in shareholders' funds to SF14.2bn, it raised its return on equity from 13.8 to 14 per cent. Zurich, which for the first time has split out the results of its four core divisions, reported that pre-tax profits of its non-life business rose 78 per cent to SF1.86bn. Pre-tax profits of life insurance rose 26 per cent to SF1.43bn, while reinsurance profits rose 88 per cent to SF2.86bn.

Belgian bank directors meet on merger plans

By Neil Buckley in Brussels

Directors of Générale de Banque, Belgium's biggest bank, will gather in Brussels today for a meeting on plans for a merger with Fortis, the Belgisch-Dutch financial services group.

Talks were continuing this weekend following an acrimonious board meeting last Wednesday, with directors due to consider the merger plans again today. Analysts expect a decision this week, or at the latest at another board meeting on May 12.

A positive decision could lead to a new Benelux banking force in Europe's top 10 by assets - the Belgian government's long-desired "Grande Banque Belge".

A negative vote would force Fortis to choose whether to drop its ambitions towards the bank, or launch a hostile bid.

Whether Fortis dropped out or not, other banks known or rumoured to be

interested - including ABN Amro or Aegon of the Netherlands, Deutsche Bank, France's Crédit Agricole or the UK's Lloyds TSB - could also enter the battle.

Despite tremendous external pressure for a merger, talks have been far from harmonious, with Générale's management doubtful about the merits of a Fortis link.

Générale's management rallied enough directors' votes last week to block Fortis's request to make a preliminary inspection of its books. The request was supported by Société Générale de Belgique, which effectively controls Générale through a 30 per cent stake.

The board said Fortis should gain such access only after a merger agreement. A merger is strongly supported by Société Générale de Belgique, and by its French parent group, Suez Lyonnaise des Eaux.

It is also backed by Belgium's government, which

has approved a draft law permitting the sale of the state's remaining 35.1 per cent stake in CGER-ASLK, Belgium's fourth-largest bank, to Fortis.

Analysts initially suggested Fortis would merge CGER - and its other banking assets, MeesPierson and VSB - into Générale, in return for shares in the enlarged group. Under Belgian law, this would avoid Fortis having to make a full bid for Générale.

But other structures are now thought to be under consideration, with Générale managers unhappy at the prospect of ending up in another complex, multi-tiered ownership structure.

They insist Générale should retain a stock exchange listing, its decision-making centre should remain in Belgium, it should be free to continue its European expansion, and its branch network should be preserved to safeguard jobs.

Amsterdam bourse to relax its listing criteria

By Gordon Grant in Amsterdam

The Amsterdam stock exchange is radically to relax its listing rules to enable it to provide a base for capital-intensive international projects and compete better with other equity markets in the European single currency zone.

It plans to abolish a requirement that companies joining its main board should have shown a profit in at least three of five previous years. Instead, candidates would need to have existed for only three years, during which their earnings record would be irrelevant if they could attract shareholders' funds of more than Fl100m (\$50m).

The move, yet to be approved by Dutch regulators, aims to provide a source of capital for infrastructure projects and for initiatives in fast-growing sectors such as telecommunications and biotechnology.

It would also bring Amsterdam listing criteria more into line with European practice as national exchanges are preparing for monetary union. The single

currency is expected to trigger increased competition in the primary as well as secondary equity markets.

"In admission criteria we have been more cautious than any other exchange," said George Möller, president of Amsterdam Exchanges (AEX). "By the end of this year we would like to bring that level a bit more in line with the international environment. But we still want to be above the European minimum."

This is one of several ways in which AEX, the operator of the Dutch equity, bonds and derivatives markets, is seeking to reinforce its position. Alliances with other markets would be inevitable at some stage, Mr Möller indicated. "It is not likely that we will stay on the sidelines forever, until the light goes out."

But most exchanges in Europe remain membership-based associations, and AEX last year converted to corporate status. "It is unlikely we would want to merge with an exchange which is still under a membership structure," Mr Möller said.

AEX acknowledges that it

has in the past lost potential listings to Nasdaq of the US and to Easdaq and European domestic bourses.

Its decision follows a study of admission criteria in several big markets. No other European market requires that a company have a profit record. Some, including London and Frankfurt, at times allow a dispensation on the number of years an entity has existed before it can launch an offering.

AEX wants to reduce this from five years to three, but listing candidates will be subject to a tightened capital requirement if they cannot show an earnings history. The Fl100m minimum compares with only Fl10m in shareholders' funds demanded of companies with an adequate record.

"They need to prove they have a certain amount of substance," said Mr Möller. A lock-up rule would also be imposed, limiting share sales by directors of candidates.

AEX, which is discussing the proposals with the finance ministry and the STE, the bourse regulator, hopes for agreement in the middle of the year.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 1, 1998. In some cases the rate is notional. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies in which they are quoted.

	£	US\$	DM	YEN		£	US\$	DM	YEN
Argentina (Aghsa)	791.20	4785.00	2885.00	307.00	Director	600.00	1.0000	6.2274	9.4011
Australia (Aust)	0.6920	1.0000	1.5000	113.37	France (Fr)	6.5596	1.0000	16.6633	6.5596
Brazil (Br)	0.0020	0.0020	0.0020	0.0020	Germany (Gr)	1.9363	1.0000	3.3757	1.9363
Canada (Can)	0.7000	1.0000	1.0000	100.00	Greece (Gr)	340.75	1.0000	340.75	340.75
Chile (Ch)	0.0000	0.0000	0.0000	0.0000	Hong Kong (HK)	7.7556	1.0000	7.7556	7.7556
China (Ch)	0.0000	0.0000	0.0000	0.0000	India (In)	47.8331	1.0000	47.8331	47.8331
Colombia (Col)	0.0000	0.0000	0.0000	0.0000	Indonesia (ID)	1,677.00	1.0000	1,677.00	1,677.00
Costa Rica (CR)	0.0000	0.0000	0.0000	0.0000	Italy (It)	1,936.33	1.0000	1,936.33	1,936.33
Cuba (Cu)	0.0000	0.0000	0.0000	0.0000	Japan (Ja)	111.33	1.0000	111.33	111.33
Czech Rep. (Cz)	0.0000	0.0000	0.0000	0.0000	Korea (Ko)	1,000.00	1.0000	1,000.00	1,000.00
Denmark (Da)	0.0000	0.0000	0.0000	0.0000	Malaysia (Ma)	3.4075	1.0000	3.4075	3.4075
Ecuador (Ec)	0.0000	0.0000	0.0000	0.0000	Mexico (Me)	16.6717	1.0000	16.6717	16.6717
El Salvador (Sa)	0.0000	0.0000	0.0000	0.0000	Netherlands (Ne)	2.2037	1.0000	2.2037	2.2037
Equatorial Guinea (Eq)	0.0000	0.0000	0.0000	0.0000	New Zealand (NZ)	1.3563	1.0000	1.3563	1.3563
Ethiopia (Et)	0.0000	0.0000	0.0000	0.0000	Norway (No)	4.7556	1.0000	4.7556	4.7556
Finland (Fi)	0.0000	0.0000	0.0000	0.0000	Poland (Po)	4.0000	1.0000	4.0000	4.0000
France (Fr)	6.5596	1.0000	16.6633	6.5596	Romania (Ro)	1,677.00	1.0000	1,677.00	1,677.00
Germany (Gr)	1.9363	1.0000	3.3757	1.9363	Russia (Ru)	0.0000	0.0000	0.0000	0.0000
Ghana (Gh)	0.0000	0.0000	0.0000	0.0000	South Africa (SA)	6.5000	1.0000	6.5000	6.5000
Greece (Gr)	340.75	1.0000	340.75	340.75	Sweden (Sw)	8.4663	1.0000	8.4663	8.4663
Hong Kong (HK)	7.7556	1.0000	7.7556	7.7556	Switzerland (Sw)	1.9363	1.0000	1.9363	1.9363
India (In)	47.8331	1.0000	47.8331	47.8331	Taiwan (Ta)	1.3563	1.0000	1.3563	1.3563
Indonesia (ID)	1,677.00	1.0000	1,677.00	1,677.00	Thailand (Th)	3.4075	1.0000	3.4075	3.4075
Italy (It)	1,936.33	1.0000	1,936.33	1,936.33	Turkey (Tu)	1,677.00	1.0000	1,677.00	1,677.00
Japan (Ja)	111.33	1.0000	111.33	111.33	UK (UK)	0.7000	1.0000	0.7000	0.7000
Korea (Ko)	1,000.00	1.0000	1,000.00	1,000.00	USA (US)	1.0000	1.0000	1.0000	1.0000
Malaysia (Ma)	3.4075	1.0000	3.4075	3.4075					
Mexico (Me)	16.6717	1.0000	16.6717	16.6717					
Netherlands (Ne)	2.2037	1.0000	2.2037	2.2037					
New Zealand (NZ)	1.3563	1.0000	1.3563	1.3563					
Norway (No)	4.7556	1.0000	4.7556	4.7556					
Poland (Po)	4.0000	1.0000	4.0000	4.0000					
Romania (Ro)	1,677.00	1.0000	1,677.00	1,677.00					
Russia (Ru)	0.0000	0.0000	0.0000	0.0000					
South Africa (SA)	6.5000	1.0000	6.5000	6.5000					
Sweden (Sw)	8.4663	1.0000	8.4663	8.4663					
Switzerland (Sw)	1.9363	1.0000	1.9363	1.9363					
Taiwan (Ta)	1.3563	1.0000	1.3563	1.3563					
Thailand (Th)	3.4075	1.0000	3.4075	3.4075					
Turkey (Tu)	1,677.00	1.0000	1,677.00	1,677.00					
UK (UK)	0.7000	1.0000	0.7000	0.7000					
USA (US)	1.0000	1.0000	1.0000	1.0000					

Abbreviations: Aghsa = Argentine peso; Aust = Australian dollar; Br = Brazilian real; Can = Canadian dollar; Ch = Chilean peso; Col = Colombian peso; Cu = Cuban peso; Cz = Czech koruna; Da = Danish krone; Ec = Ecuadorian dollar; Et = Ethiopian dollar; Fi = Finnish markka; Fr = French franc; Gh = Ghanaian cedi; Gr = Greek drachma; HK = Hong Kong dollar; ID = Indonesian rupiah; In = Indian rupee; It = Italian lira; Ja = Japanese yen; Ko = Korean won; Ma = Malaysian ringgit; Me = Mexican peso; Ne = Netherlands guilder; No = Norwegian krone; Po = Polish zloty; Ro = Romanian leu; Ru = Russian ruble; SA = South African rand; Sw = Swedish krona; Ta = Taiwan dollar; Th = Thai baht; Tu = Turkish lira; UK = British pound sterling; US = US dollar.

Source: Reuters. All rates are for 100 units of the foreign currency against 1 unit of the base currency. All rates are for 100 units of the foreign currency against 1 unit of the base currency. All rates are for 100 units of the foreign currency against 1 unit of the base currency.

IN A CHANGING WORLD ROYAL MAIL HELPS YOUR BUSINESS BECOME FIRST RATE. WE ALL RESPOND TO A LETTER

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

ROYAL MAIL

COMPANIES & FINANCE

MINING UK BANK BACKS AUSTRALIAN PROJECT

Barclays in \$3bn nickel contract

By Kenneth Gooding,
Mining Correspondent

Barclays, the UK banking group, has set a precedent not only by promising to finance a US\$450m nickel-cobalt project but also by agreeing to take all the metal it will produce for 10 years. The value of this contract is nearly \$3bn.

The bank is backing the Marlborough nickel-cobalt project in Queensland, Australia, which is scheduled to start production early in 2000 and a year later to produce 28,000 tonnes of nickel and 2,000 tonnes of cobalt annually.

Nickel is used mainly in the production of some types of stainless steel, while demand for cobalt has been growing because it is used in batteries, including those that power laptop computers, mobile telephones and new electric vehicles.

Colin Ikin, executive chairman of Preston Resources, which is developing the project, said it would be the world's

lowest-cost nickel producer.

Preston approached Barclays Metals at first for advice on selling the output from Marlborough, which is 60km from Rockhampton. "After they did due diligence on the project, they decided to take all the copper and cobalt and brought in Barclays Capital to arrange finance for the project. They moved with amazing speed after finishing the due diligence," said Mr Ikin.

Barclays Capital will also provide risk management services during development of the project.

Mr Ikin said Barclays' involvement ensured the success of the Marlborough project. Finding customers for nickel was not particularly difficult, but the cobalt market was much less easy to break into. Barclays would also take the initial output, even if it was not up to international quality specifications, thus guaranteeing the project's early cash flow.

Barclays would pay prices related to those quoted on the London Metal Exchange

for nickel and on the Metal Bulletin for cobalt, Mr Ikin said.

Preston bought the project from some prospectors only a year ago and so far has spent A\$25m (US\$16m) on it. The deposit was first discovered by Broken Hill Proprietary, Australia's biggest resources group, in 1964, and for 10 years BHP and Inco, the Canadian group that is the world's biggest nickel producer, studied its possibilities.

However, they gave up, mainly because the technology to process the ore had yet to be developed.

The technology - known as pressure acid leaching - is now available and Marlborough will be the fourth new Australian mine to use it, moving into production about one year behind Resolute's Bulong venture, Centaur Mining's Carowah project and Anaconda Nickel's Minn Murrin.

Mr Ikin said Preston should benefit from the experiences of the other three.

DERIVATIVES THE LONDON EXCHANGE IS FIGHTING TO RETAIN ITS COMMANDING POSITION IN THE MARKETS

Liffe faces up to the challenge

By Edward Lucas

The London International Financial Futures and Options Exchange faces another crucial moment this week as it finalises plans to alter its governance structure.

The changes, which will be put to the vote at an extraordinary general meeting on May 21, follow posting the most turbulent 12 months in the exchange's 16-year history.

In the past three months alone, Liffe has seen its commanding lead in the market for the 10-year German government bond future evaporate in the face of an aggressive challenge from the electronic Deutsche Terminbörse in Frankfurt.

Partly as a consequence, Liffe has embraced electronic trading and announced plans to introduce a new day-time electronic platform in 1999.

Finally, the exchange has put forward plans to convert into a profit-based organisation, as opposed to one that exists solely to serve its members.

This would be disorienting enough in itself but further changes are expected to

emerge from the meeting of the board of directors on Wednesday May 6.

"There is a sense that Liffe is grasping the nettle to embrace changes which will hopefully give it the flexibility to meet the challenge from its competitors," said Edward Condon, head of European derivatives at Credit Suisse First Boston.

Although there is no guarantee that the board's proposals will be endorsed by the exchange's 215 members at the EGM later this month, directors are planning to add a couple of new elements to the reform plan this week.

One possibility is that it will delay plans to develop its own electronic system and simply buy one off the shelf. Matif, the Paris-based exchange, which has an alliance with the DTB, is attempting to sell its system to Liffe.

Another possibility is that the exchange would simply permit its existing after-hours electronic system (AFT) to be used for day-time trading. This would enable Liffe to introduce electronic trading well in advance of European monetary union.

"If Liffe is serious about its move to electronic trading, it has to offer its platform way before the last quarter of 1999," said one broker in London.

Second, the board will look at proposals to simplify Liffe's complex share structure, which at present boasts eight categories. One option would be to offer the same type of share to all shareholders.

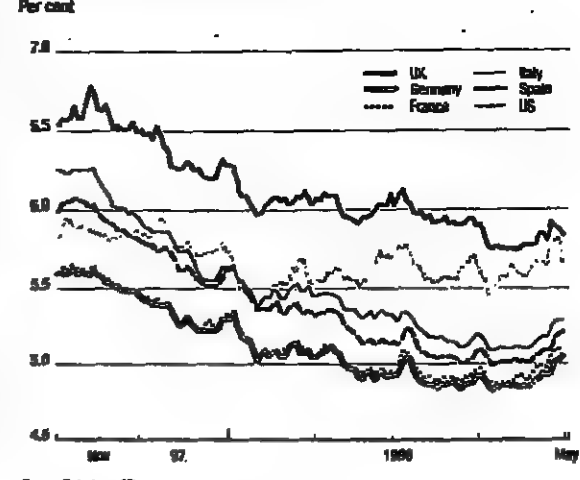
Third, after having announced that it will sever the link between membership and trading permits on the electronic platform, the board will look at whether it should do the same on its "open outcry" floor trading system.

This could prove difficult, as many "locals" (speculators who trade on their own account) will resist such a move.

In addition to moving to a profit-based outlook, Liffe's members will also be asked to approve 180 job losses at the exchange. The Liffe executive says these are essential if the exchange is to reduce fees and other costs to ensure that it remains competitive.

Members will also be asked to approve the reduction

10-year benchmark bond yields



tion of the Liffe board from 24 to 18 members and the appointment of a full-time (and preferably outside) chairman of the board.

Although Liffe has been attacked for not going far enough in its reform plan, many members believe it is going too fast.

"If you look at the sum total of these changes, they are quite radical and some members don't want any

change at all," said one board member.

Others, however, think the blueprint could have been more far-reaching.

"There will still be a split on the board between those representing locals and those representing the big institutions like the banks," said one broker.

"We won't know whether these changes will do the trick until they have been implemented."

Executives quit Zurich Group

By William Hall in Zurich

Steven Gluckstern, 47, a former US investment banker who heads Zurich Group's fast-growing reinsurance operations, and Laurence Cheng, 51, Zurich's chief investment officer, are leaving its corporate executive board to form an investment partnership.

Zurich said that although the two executives were stepping down from its executive board they would "remain affiliated" to the group. They are setting up Capital Z Partners, a partnership that will manage private equity investments in financial services companies as well as hedge funds and other alternative investments.

The company has promised to provide a "substantial part" of the capital of the new partnership and Mr Gluckstern will be non-executive chairman of Zurich Reinsurance (North America) and Zurich Centre Group. Zurich said Mr Gluckstern's departure had come sooner than expected but he had indicated for some time that he did not want to remain a manager.

The departure of two Zurich executives is the latest sign of boardroom upheaval at the Swiss insurance giant, following a series of acquisitions culminating in Zurich's forthcoming merger with BAT Industries' financial services arm. Detlef Steiner, a former head of Zurich's reinsurance activities, and Steven Timbers, chief executive

of Zurich Kemper Investments, have also left.

Mr Gluckstern, one of the pioneers of new ways of transferring risk in the reinsurance industry, joined Zurich in 1987 to found Centre Re in Bermuda. That business, recently renamed Centre Solutions, has grown into one of the most successful players in "finite risk" reinsurance and differs from traditional reinsurers by offering tailor-made solutions to customers' reinsurance needs while limiting the ultimate risk to the reinsurer.

In 1997 Zurich's reinsurance profits rose by 88 per cent, to SF286m (\$192m) - the fastest growing part of the group's profits.

Mr Gluckstern took over as head of Zurich's reinsurance business a year ago and was credited with giving the group a competitive edge in pioneering investment banking techniques to transfer risks in the reinsurance market. He was also head of Zurich's capital market and venture capital operations.

Zurich stressed that there would be no overlap between the activities of Capital Z Partners and Zurich Centre Investments, its private equity arm.

Dirk Lohmann, 45, who joined Zurich last August, will take over as head of Zurich's reinsurance business and Markus Rohrbasser, 44, will take over Mr Cheng's responsibilities for strategic finance and investments, investment management, financial products and Zurich Centre Group.

Nebraska plant for Caterpillar

By Peter Marsh

Caterpillar of the US, the world's biggest maker of earthmoving equipment, has announced the site of its new US factory to produce combine harvesters in an deal with Claas, a German agricultural equipment supplier.

Under the arrangement, Caterpillar Class America, a 50-50 joint venture between the two companies, will make combines based on Claas's design at a plant in Sarpy County, Nebraska, which could employ up to 500 people early next decade.

Caterpillar declined to specify how much the partners are investing or production targets for the plant. However, analysts estimate it will cost about \$100m and be aimed at meeting about a fifth of the US demand for combines by about 2002. On this projection, the factory would be making some 2,000 machines a year by that time, worth about \$400m.

Caterpillar's move into combines - a field it left in the 1930s - has sparked interest because only an estimated 3 per cent of its \$18.9bn sales last year came from agricultural equipment.

Its main activity is the manufacture of heavy construction machines such as excavators, while it also makes large engines.

"The company would not be moving into this field if it did not want to take a share of 20-30 per cent [of the US market] within a few years," said one analyst.

While the venture means increased competition in combine harvesters for Deere and Case, the two big US makers of these machines, the deal has also led to speculation that Caterpillar may have its long-term sights on purchasing Claas, a privately owned company that is Europe's biggest maker of combines.

Claas, which is still owned by the family that created it earlier this century, says it is not for sale but observers believe the investment required to remain a long-term operator in the highly competitive agricultural equipment industry may prove too much for a private company.

Last year Claas had sales of DM1.9bn (\$1.1bn) and accounted for one of every three combines sold in western Europe.

Under the deal with Caterpillar, as well as providing the know-how for its Lexion combines, which will be made in the new Nebraska plant, Claas is also linking with the US group in Europe to make a specialised form of "tracked" farm tractor already made by Caterpillar in the US.

Invest with the Winners

After the Nikkei Exchange Index

1997-1998 317.55% increase

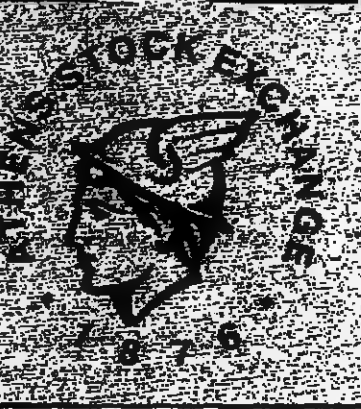
and still rising

A Dynamic Market
in the European Union

3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690
3690	3690	3690	3690	3690	3690	3690	3690	3690	3690



100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP
100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP	100KEP



مجلس أمن الطلاب

Free Annual Reports from the
Financial Times where you
see this symbol.

Tel: +44 181 770 0770

FT MANAGED FUNDS SERVICE

FT MANAGED FUNDS SERVICE

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE									
AUSTRIA (Apr 30 / S\$)									
Alpine	440.00	435.00	440.00	435.00	440.00	435.00	440.00	435.00	440.00
Alpine	440.00	435.00	440.00	435.00	440.00	435.00	440.00	435.00	440.00
GERMANY (Apr 30 / Dm)									
DAX	3,445.00	3,445.00	3,445.00	3,445.00	3,445.00	3,445.00	3,445.00	3,445.00	3,445.00
FRANCE (Apr 30 / Ffr)									
CAC 40	4,010.00	4,010.00	4,010.00	4,010.00	4,010.00	4,010.00	4,010.00	4,010.00	4,010.00
ITALY (Apr 30 / Lit)									
FTSE MIB	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
NETHERLANDS (Apr 30 / Gld)									
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00
SPAIN (Apr 30 / Ptas)									
IBEX 35	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
GREECE (Apr 30 / Drachmas)									
ASE	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
PORTUGAL (Apr 30 / Escudos)									
BVL	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
FINLAND (Apr 30 / Fmk)									
HEX	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
DENMARK (Apr 30 / Krona)									
OMXC20	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
NORWAY (Apr 30 / Kr)									
OSEX	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
SWEDEN (Apr 30 / Krona)									
OMXC20	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
NETHERLANDS (Apr 30 / Gld)									
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00
NETHERLANDS (Apr 30 / Gld)									
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00
NETHERLANDS (Apr 30 / Gld)									
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00

Rockwell Automation products are leading the convergence of power and control technology for manufacturing.

Rockwell

http://www.rockwell.com

EUROPE																		
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00									
NETHERLANDS (Apr 30 / Gld)																		
AEX	350.00	350.00	350.00	350.00	350.00	350.0												

NEW YORK STOCK EXCHANGE PRICES

NEW YORK STOCK EXCHANGE PRICES		NEW YORK STOCK EXCHANGE PRICES		NEW YORK STOCK EXCHANGE PRICES	
A		B		C	
1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36
37	38	39	40	41	42
43	44	45	46	47	48
49	50	51	52	53	54
55	56	57	58	59	60
61	62	63	64	65	66
67	68	69	70	71	72
73	74	75	76	77	78
79	80	81	82	83	84
85	86	87	88	89	90
91	92	93	94	95	96
97	98	99	100	101	102
103	104	105	106	107	108
109	110	111	112	113	114
115	116	117	118	119	120
121	122	123	124	125	126
127	128	129	130	131	132
133	134	135	136	137	138
139	140	141	142	143	144
145	146	147	148	149	150
151	152	153	154	155	156
157	158	159	160	161	162
163	164	165	166	167	168
169	170	171	172	173	174
175	176	177	178	179	180
181	182	183	184	185	186
187	188	189	190	191	192
193	194	195	196	197	198
199	200	201	202	203	204
205	206	207	208	209	210
211	212	213	214	215	216
217	218	219	220	221	222
223	224	225	226	227	228
229	230	231	232	233	234
235	236	237	238	239	240
241	242	243	244	245	246
247	248	249	250	251	252
253	254	255	256	257	258
259	260	261	262	263	264
265	266	267	268	269	270
271	272	273	274	275	276
277	278	279	280	281	282
283	284	285	286	287	288
289	290	291	292	293	294
295	296	297	298	299	300
301	302	303	304	305	306
307	308	309	310	311	312
313	314	315	316	317	318
319	320	321	322	323	324
325	326	327	328	329	330
331	332	333	334	335	336
337	338	339	340	341	342
343	344	345	346	347	348
349	350	351	352	353	354
355	356	357	358	359	360
361	362	363	364	365	366
367	368	369	370	371	372
373	374	375	376	377	378
379	380	381	382	383	384
385	386	387	388	389	390
391	392	393	394	395	396
397	398	399	400	401	402
403	404	405	406	407	408
409	410	411	412	413	414
415	416	417	418	419	420
421	422	423	424	425	426
427	428	429	430	431	432
433	434	435	436	437	438
439	440	441	442	443	444
445	446	447	448	449	450
451	452	453	454	455	456
457	458	459	460	461	462
463	464	465	466	467	468
469	470	471	472	473	474
475	476	477	478	479	480
481	482	483	484	485	486
487	488	489	490	491	492
493	494	495	496	497	498
499	500	501	502	503	504
505	506	507	508	509	510
511	512	513	514	515	516
517	518	519	520	521	522
523	524	525	526	527	528
529	530	531	532	533	534
535	536	537	538	539	540
541	542	543	544	545	546
547	548	549	550	551	552
553	554	555	556	557	558
559	560	561	562	563	564
565	566	567	568	569	570
571	572	573	574	575	576
577	578	579	580	581	582
583	584	585	586	587	588
589	590	591	592	593	594
595	596	597	598	599	600
601	602	603	604	605	606
607	608	609	610	611	612
613	614	615	616	617	618
619	620	621	622	623	624
625	626	627	628	629	630
631	632	633	634	635	636
637	638	639	640	641	642
643	644	645	646	647	648
649	650	651	652	653	654
655	656	657	658	659	660
661	662	663	664	665	666
667	668	669	670	671	672
673	674	675	676	677	678
679	680	681	682	683	684
685	686	687	688	689	690
691	692	693	694	695	696
697	698	699	700	701	702
703	704	705	706	707	708
709	710	711	712	713	714
715	716	717	718	719	720
721	722	723	724	725	726
727	728	729	730	731	732
733	734	735	736	737	738
739	740	741	742	743	744
745	746	747	748	749	750
751	752	753	754	755	756
757	758	759	760	761	762
763	764	765	766	767	768
769	770	771	772	773	774
775	776	777	778	779	780
781	782	783	784	785	786
787	788	789	790	791	792
793	794	795	796	797	798
799	800	801	802	803	804
805	806	807	808	809	810
811	812	813	814	815	816
817	818	819	820	821	822
823	824	825	826	827	828
829	830	831	832	833	834
835	836	837	838	839	840
841	842	843	844	845	846
847	848	849	850	851	852
853	854	855	856	857	858
859	860	861	862	863	864
865	866	867	868	869	870
871	872	873	874	875	876
877	878	879	880	881	882
883	884	885	886	887	888
889	890	891	892	893	894
895	896	897	898	899	900
901	902	903	904	905	906
907	908	909	910	911	912
913	914	915	916	917	918
919	920	921	922	923	924
925	926	927	928	929	930
931	932	933	934	935	936
937	938	939	940	941	942
943	944	945	946	947	948
949	950	951	952	953	954
955	956	957	958	959	960
961	962	963	964	965	966
967	968	969	970	971	972
973	974	975	976	977	978
979	980	981	982	983	984
985	986	987	988	989	990
991	992	993	994	995	996
997	998	999	1000	1001	1002

BE OUR GUEST.



When you fly with us
stay in touch
with your complimentary copy
of the

FINANCIAL TIMES
No FT, no comment.

06/11/2015

GLOBAL EQUITY MARKETS

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

FT GUIDE TO THE WEEK

MONDAY 4

Peace talks divided

Attempts to break the 14-month deadlock in the Middle East peace process resume today in London, where Madeleine Albright, US secretary of state, will hold separate meetings with Benjamin Netanyahu, the Israeli prime minister, and Yasser Arafat, the Palestinian leader. The most that is expected is enough movement to prevent the Oslo peace accords signed by the late Yitzhak Rabin, Mr Netanyahu's predecessor, from collapsing. Israel may agree to troop withdrawals from about 10 per cent of the West Bank, and the opening of Gaza airport. This falls short of US proposals and commitments made by both the Rabin and Netanyahu governments.

Torture session

The United Nations committee against torture meets in Geneva for two weeks to review the compliance of 10 signatories to the UN's anti-torture convention, including Guatemala, Sri Lanka and Israel. Israel has been asked to respond to "well-founded" allegations of torture of Palestinian detainees, following the committee's call a year ago for a halt to interrogation methods such as sleep deprivation, violent shaking and death threats. Israel denies torture but says "moderate use of physical pressure" during interrogations has saved innocent lives by uncovering plans for terrorist violence.

Biodiversity meeting

Participants from 180 countries meet in Bratislava until May 15 for the fourth conference of Parties to the Convention on Biological Diversity, established with the long-term aim of reversing the destruction of species and ecosystems around the world. Their aim will be to heighten international governmental awareness of the need for effective conservation programmes for inland waters, marine and coastal areas and agricultural land, and management of dwindling biological resources.

Commodity techniques

The United Nations Conference on Trade and Development (Unctad) starts a three-day expert meeting in Geneva on the use of risk management techniques by commodity-dependent countries.

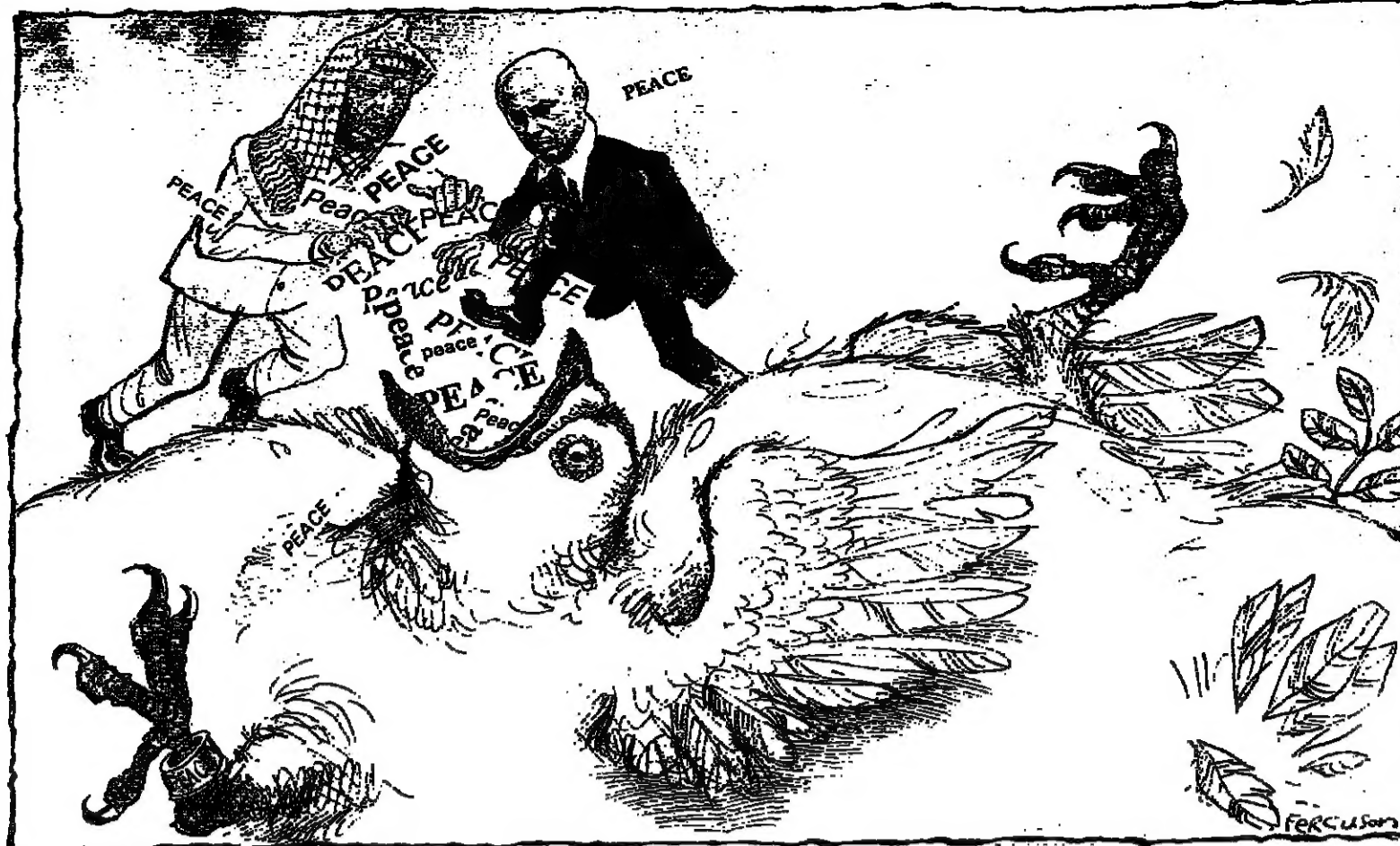
Holidays

Australia, Japan, Ireland, Ukraine, UK (Lift remains open because of the EU meeting on May 2 and 3 that will decide which countries will be included in European monetary union).

TUESDAY 5

Strength in numbers

Trade ministers from 71 developing countries that have a trade and aid treaty with the European Union meet in Barbados seeking a common position to present to the EU for a new treaty after



Benjamin Netanyahu, the Israeli prime minister, and Yasser Arafat, the Palestinian leader, try to keep the Middle East peace process alive at separate meetings in London today

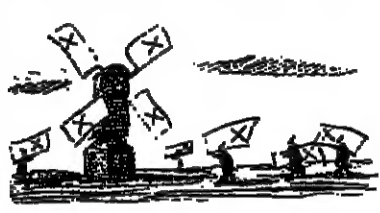
WEDNESDAY 6

Franco-German summit

Helmut Kohl, the German chancellor, will meet France's president, Jacques Chirac, and prime minister Lionel Jospin in Avignon for a two-day Franco-German summit. The leaders are expected to prepare for up-coming G-8 and European Union summits in Birmingham and Cardiff respectively.

Dutch vote

The Netherlands goes to the polls in a general election that will test the durability of the three-party coalition formed in 1994 among social democrats, free market liberals and reformists. The partners have been critical of each other during the campaign on issues such as the level of health and social security spending, the need to maintain the country's recently much improved state finances, and the extent of commitments to transport and the environment. The PvdA labour party of Wim Kok, prime minister, enters the contest as favourite.



If it emerges far enough ahead of the others, the PvdA could reject the often difficult VVD and the waning D66 in favour of a link-up including the Christian democrat CDA.

Food for thought

The potential contribution of the Mediterranean diet to world health is the subject of a debate in Geneva organised by North-South Media Encounters, a non-governmental group, with the support of the World Health Organisation. Southern Europeans suffer less heart disease than their northern counterparts.

FT Survey

Review of Information Technology.

Holiday

Bahrain*, Iran, Lebanon, Senegal, Pakistan*.

THURSDAY 7

Power to the city

Londoners vote in a referendum on government plans for the first capital-wide election next May of a mayor for London and for a greater London authority that would co-ordinate policies in areas such as planning, the environment, tourism and transport. London has been without a city-wide authority since 1981 when the then

Conservative government abolished the Greater London Council.

Board meeting

Hearings begin in the European parliament on the nominees for the executive board of the European Central Bank, starting with the president. The parliament's economic and monetary affairs committee will give its verdict on the nominees on May 11.

Commonwealth human rights

Professor Amartya Kumar Sen, Master of Trinity College, Cambridge, gives the inaugural Commonwealth Lecture on "Human Rights: Is There a Commonwealth Perspective?" in London. Contact (44) 171 930 3783.

FT Survey

Business of Travel.

Holidays

Bahrain*, Bangladesh*, Pakistan*, India.

FRIDAY 8

Taiwan's trade bid

World Trade Organisation members meet to consider Taiwan's application to join the world trade body, the first formal meeting of the working party since March 1997. This leisurely timetable reflects the

fact that under a 1992 accord Taiwan cannot join the WTO before China does - and China is not ready. Taipei applied for WTO entry in 1990 and has completed bilateral talks with all but two main trading partners, including the US. The European Union and Switzerland have yet to settle.

Refugee problem

The United Nations High Commission for Refugees and Organisation of African Unity hosts a regional meeting in Kampala to discuss the protection of refugees and their impact on host states. Countries in the region will send representatives of ministerial level.

FT Survey

Investing in Central and Eastern Europe.

Holidays

Bangladesh, Thailand, Czech Republic, Denmark, France.

SUNDAY 10

Democracy test

Paraguay's fledgling democracy faces a key test in presidential elections that came to the brink of being postponed due to bitter fighting between factions of the ruling Colorado party. The Colorados have ruled Paraguay through fair means and foul for more than half a century, clinging to power even during the overthrow of dictator Alfredo Stroessner. After ditching populist former general Lino Oviedo as presidential candidate, the Colorados are struggling to unite behind a new ticket headed by businessman Raúl Cubas Grau. The opposition Democratic Alliance coalition, led by veteran Liberal Domingo Laíno, is standing on a modernising, anti-corruption platform. Mr Oviedo, convicted last month of mounting a coup attempt in 1996, remains in jail.

Big brothers

The 15-day summer grand sumo tournament starts in Tokyo. Wakanohana,



an ozeki, the second-highest rank, will be fighting to be promoted to the highest rank, yokozuna grand champion. If he wins the title, Wakanohana and his brother Takahashina, known as the Waka-Taka brothers, will be the first siblings in sumo history to achieve the rank of yokozuna.

Holiday

Malaysia. *Tentative date, dependent on sighting of the moon.

Compiled by Roger Beale
Fax (44) 171 873 3196

ECONOMIC DIARY

Other economic news

Tuesday: The US leading economic indicators index for March is likely to ease only slightly from February's 0.4 per cent monthly increase, following some strong gains in stock prices.

Wednesday: The key UK purchasing managers index for the service sector will be watched for signs of a slowdown in the sector's activity. The Bank of England's monetary policy committee's monthly meeting starts, with its decision announced on Thursday.

Thursday: Japan's current account surplus in March is likely to have grown at an annual rate of over 50 per cent. A monthly surplus around ¥1600bn is expected. But the trade surplus should show a slowdown in growth.

In Germany, the rate of unemployment is set to decline further, after stronger growth in the western part of the country and expanded labour schemes throughout the country.

Friday: US employment should recover from its decline in March, when non-farm payrolls fell by 36,000. Average hourly earnings are predicted to rise by 4.3 per cent annually.

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon		Germany	Apr purchasing managers index†	56.71				Germany	Mar manufacturing output pan Germany*	0.5%	0.4%
May 4		China	Apr retail sales		8.8%			Germany	Mar industrial production west*		-0.1%
		Canada	Mar building permits†	2.1%	14.3%			Germany	Mar industrial production east*		-4.2%
Tues		Italy	Mar producer price index**	1.1%	1.3%	Fri		Germany	Apr unemployment† pan Germany	-5k	-2k
May 5		UK	Apr provisional MO		N/A	May 8		Germany	Apr unemployment† west	-10k	-11k
		US	BTM-Schroders May 2		0.5%			Germany	Apr unemployment† east	5k	9k
		US	Mar leading indicators	0.2%	0.4%			Germany	Feb employment† west	10k	38k
		US	Mar home completions		1.46m			Germany	Apr vacancies† west		6k
		US	Redbook May 2		3.7%			Germany	Apr short-time not† west		-7k
Weds		Italy	Apr consumer price index (ex-tobacco)*	0.2%	0.0%			Canada	Apr employment†	35k	18k
May 6		Italy	Apr consumer price index (ex-tobacco)*	1.8%	1.7%			Canada	Apr unemployment rate	8.5%	8.5%
		UK	Apr Chart Inst Purch† & Supply survey		80.3%			US	Apr nonfarm payrolls	270k	-38k
		Canada	Apr help wanted index†	140	138			US	Apr manufacturing payrolls	5k	3k
		US	Mar factory orders	0.3%	-0.9%			US	Apr hourly earnings	0.3%	0.3%
		US	Mar factory inventories	0.5%	0.5%			US	Apr average workweek	34.8	34.7
		Japan	Apr trade balance† (first 20 days not†)		¥533bn			US	Apr unemployment rate	4.6%	4.7%
Thurs		UK	Mar construction orders		N/A						
May 7		UK	Mar housing starts		N/A			Germany	Mar capital account		DM1.3bn
		UK	Apr CBI distributive trades		14.0%			Germany	Mar net foreign bond purchases		DM18.8bn
		US	Q1 productivity preliminary		1.8%			Germany	Mar manuf†ing orders pan Germany*	0.3%	0.3%
		US	Mar wholesale inventories		1.1%			Germany	Apr final cost of living† west		-0.3%
		US	Mar wholesale sales		0.5%			Germany	Apr final cost of living† west		1.0%
		France	Apr foreign reserves		FF346bn			Germany	Apr cost of living† pan Germany	0.2%	-0.2%
		US	Mar consumer credit		\$3.5bn			Germany	Apr cost of living† pan Germany	1.3%	1.1%
		Germany	Mar industrial production pan Germany*	0.4%	-0.7%						

*month on month, †year on year, †seasonally adjusted

Statistics courtesy Standard & Poor's AMES

TELEFÓNICA, S.A.

(Formerly Telefónica de España, S.A.)

1997 FINAL DIVIDEND

In accordance with the corresponding by-laws, Telefónica, S.A. (formerly Telefónica de España, S.A.) will distribute a final dividend (to be charged to the 1997 figure for net income) for the 1997 fiscal year which, bearing in mind the withholding taxes, will be the following amount for each of the shares indicated below:

ISIN Code	Number of Shares	Gross amount (Pesetas per share)	Net amount (Pesetas per share)
ES0178490015	1 to 939,470,820	62.00	46.50

This payment will be carried out from May 18th 1998 onwards, through the following entities: Banco Bilbao Vizcaya S.A., Banco Exterior de España S.A. and Caja de Ahorros y Pensiones de Barcelona "La Caixa". In order to receive this payment the corresponding Certificate of Ownership, issued by the Clearing and Settlement Service (El Servicio de Compensación y Liquidación de Valores, S.A.) must be presented.

Madrid, May 4th 1998
CORPORATE FINANCE DIVISION



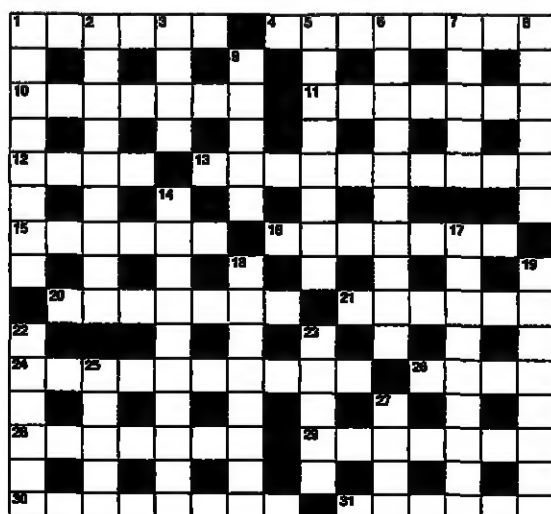
BUSINESS EDUCATION

FULL SCHOLARSHIPS

Offered by U.S. Universities for Master's degree applicants in Computer Science and Management Information Systems. Must have Bachelor's degree, 2+ years work experience in C.S., and be proficient in English. Contact Education Opportunities in America: edops@efm.org or Fax: 541-344-3391 (USA)

- ACROSS
- Ex-president used to being on the carpet (6)
 - Equipment taken by a surfer to the coast? (5)
 - Player inserts key in a lock (7)
 - I call round on pressing business (7)
 - Bargain for crop (4)
 - The late shift? (10)
 - Freezes dessert to eat later (4,2)
 - Lace with gin perhaps. It's divine! (7)
 - Economise in vain (7)
 - Joined a football club (6)
 - Surprise someone more than he can say? (6,4)
 - Grasping what is meant by average (4)
 - Making a comeback, cover girl pretexts a problem (7)
 - Ends an interim arrangement (7)
 - Supplementary course (4,4)
 - Novelist about fifty? Not quite (6)

- DOWN
- Chief craft sought by teachers (8)
 - Laymen have no chance of success (9)
 - A form of need where there was none (4)
 - Involved in happy oriental festival (8)
 - They're widely grown for eating (5,5)
 - Plancie of a Buckingham Palace guardsman (5)
 - Assimilate a summary (8)
 - Excited by Italian wine - red to start with (5)
 - Don't maintain a well-balanced pace? (3,4,3)
 - Currently about to happen? (2,3,4)
 - New crusades for old vehicles (4,4)
 - It may be put on disc (8)
 - House gets these speeches from one of the parties (6)
 - Commonest name for a forger (5)
 - Directed - in a straight line? (5)
 - It could be for a Malayan vessel (4)



Winner of Puzzle No.9,660: Mrs V. Rose, Peterborough.

MONDAY PRIZE CROSSWORD

No.9,672 Set by DANTE

A magnum of Laurent Perrier Rose champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel TT desk clock. Solutions by Thursday May 14, marked Monday Crossword 9,672 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9RL. Solution on Monday May 18. Please allow 28 days for delivery of prizes.

Name: _____
Address: _____

Solution 9,660

LUTHERUS EPOPHORIC
AUGUSTUS GOVERNOR
TARANTULUS
HODGKINSON ABUSER
ELEGANT LADY
RAIL COMPARTMENT
BORGARD
FALLFLOWER EGG
ELEGANT LADY
ARCHAEOLOGIST
KING OF THE SOUTH
HAWKSWORTH DANCER
SEABEARD
STOCKING UNDER

JOTTER PAD

Handwritten text in a box: 12/10/98